



House of Commons
Transport Committee

Freight Transport

Eighth Report of Session 2007–08

Report, together with formal minutes, oral and written evidence

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The Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Transport and its associated public bodies.

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Contents

Report	<i>Page</i>
1 The Government’s approach to freight transport	3
An integrated freight strategy	5
2 The Government’s contribution to investment in infrastructure	7
Infrastructure requirements	7
The Sustainable Distribution Fund	8
The productivity strand of the Transport Innovation Fund (TIF)	10
International gateways	11
3 Capturing the costs of freight transport and facilitating modal shift	14
Appropriate pricing	14
Road haulage	15
Air freight	17
Rail freight	18
Network Rail	21
Inland waterways and coastal shipping	22
4 Balancing the needs of the freight industry and wishes of the wider public	25
Conflicts between passenger and freight services	25
Out of hours deliveries in urban areas	27
5 Freight transport and the regions	29
6 Freight transport and the European Union	32
European Commission freight initiatives	32
Competition for air freight between European airports	34
The road haulage industry	34
7 Conclusion	38
List of recommendations	39
Formal Minutes	44
Witnesses	45
List of written evidence	46
List of unprinted evidence	47
List of Reports from the Committee during the current Parliament	48

1 The Government's approach to freight transport

1. Freight and logistics—the flow of goods into, out of and around the country—play an important part in meeting all four of the Department for Transport's strategic objectives—to sustain economic growth through efficient transport networks, to improve transport's environmental performance, to strengthen the safety and security of transport, and to enhance access to jobs, services and social networks. The Government recognises this but believes that primary responsibility for the provision of freight services rests with the private sector. There are, however, a limited number of circumstances in which the Government says it would normally consider intervening:

- where the Government has responsibilities for provision of funding or network infrastructure;
- if there is a demonstrable need for a long-term strategic planning framework; or
- if the market fails to capture its own externalities—such as adverse impacts on the environment, safety or congestion—and Government action can contribute to the achievement of the Department's strategic objectives.¹

2. The Department sees its role in relation to freight transport as ensuring that goods can be moved freely, reliably and efficiently by the industry, while minimising the negative impacts (including congestion, accidents, emissions and noise) of doing so.² The five main elements of its freight strategy are

- investing in network and IT infrastructure required to support effective freight services where it is affordable and good value for money;
- regulating proportionately, to minimise administrative and other burdens on industry;
- increasing compliance with regulations;
- ensuring a long-term planning framework that recognises the needs and aspirations of both industry and the overall public interest; and
- promoting, incentivising and/or funding behavioural change where it is affordable and good value for money.³

3. An increasing amount of freight is transported within the UK and to and from the UK internationally:

- Domestic freight moved increased overall by 44% between 1980 and 2006, from 175 to 252 billion tonne kilometres. The majority of the increase is due to goods

1 Ev 73

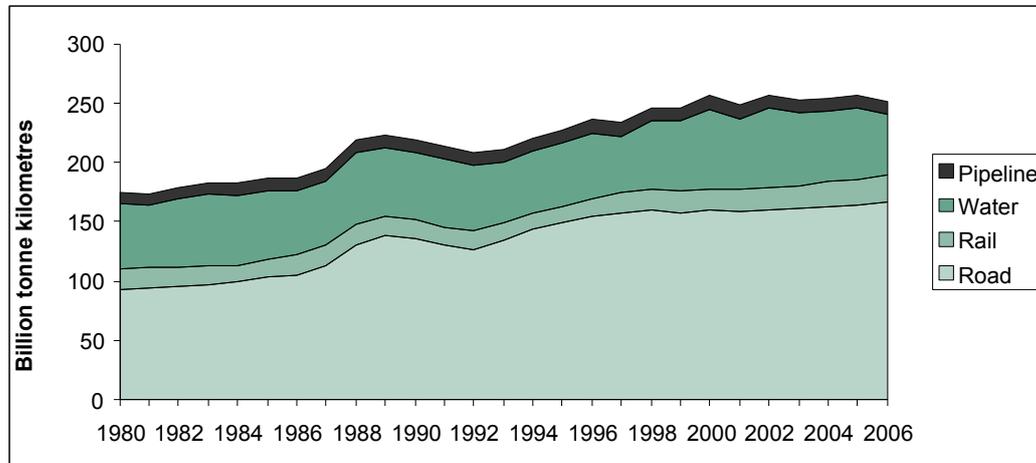
2 DfT, *Department for Transport Annual Report 2007, 2007*, para 9.1

3 Ev 73

moved by road, which increased by 79% and in 2006 accounted for 66% of all goods moved. The average length of haul for road freight has increased since 1980, by 29% to 86 km in 2006.

- Goods moved by rail declined from 1988 to 1994 but has since risen to reach 22 billion tonne kilometres. Between 1994 and 2006 goods moved by rail increased by 70% and in 2006 accounted for 9% of all goods moved. Since the early 1990s the length of haul by rail has risen from around 120 km to over 200 km at present.
- Domestic waterborne freight includes non-seagoing as well as seagoing traffic, although the non-seagoing traffic is a very small proportion of the total. As more freight has been moved by road, water's share has reduced, from 31% to 21% between 1980 and 2006. Goods moved by water have the longest average length of haul—410 km in 2006.
- A relatively small amount of domestic freight is moved by air but it is of a disproportionately high value.
- Since 1980 UK international freight tonnage has increased by over 80%, from 251 million tonnes to 458 million tonnes in 2006. Waterborne freight dominates UK international trade and in 2006 96% of tonnage lifted was by sea, 4% by the Channel Tunnel and less than 0.5% by air.⁴

Figure 1: Domestic freight moved by mode: 1980 to 2006



Source: Department for Transport

4. The Government has established that there should be greater coherence to its freight strategy and logistics as one of its “key cross-cutting themes”.⁵ The Minister described the Department’s ongoing work to develop “a much clearer recognition of freight’s role — across modes—in transport strategy.”⁶

4 DfT, *Transport Trends: 2007 edition*, 6 December 2007, pp. 66, 68 and 75

5 Ev 74

6 Q 478

5. Others argue that the Government should take a more interventionist approach to freight transport. Professor McKinnon, Director of the Logistics Research Centre at Heriot-Watt University, told us:

There is no doubt in my mind that we should not be adopting a *laissez-faire* approach to freight. I think that there is a strong need for strong government intervention.⁷

6. He argued that public intervention in the freight sector was essential—to invest in infrastructure and to incentivise best practice and the use of more sustainable modes—and that the Government has available a number of “policy levers”. It is, he says, pulling most of them, “some more effectively than others.”⁸

An integrated freight strategy

7. The Department published *Sustainable Distribution: a strategy* in 1999 and described it as “a comprehensive, integrated strategy for the sustainable distribution of goods and services in the UK”.⁹ The overall policy context in which the Department operates has changed significantly since then: congestion on the roads and railways has worsened, climate change has become a much more pressing concern, Railtrack and the Strategic Rail Authority have been replaced, there has been an Aviation White Paper, a Ports Policy Review and a Rail White Paper. The Eddington Study (on transport’s role in sustaining the UK’s productivity and competitiveness) and the Stern Review (on the economics of climate change) have had a fundamental effect on how we think about transport policy. Our Report on *The Ports Industry in England and Wales*, published in January 2007, recommended that the Government publish an updated, integrated freight plan:

The Government has a fundamental responsibility to the transport infrastructure of the UK: its major roads, railways and rivers and canals. Its responsibility lies not only in the renewal and, where required, the expansion of this infrastructure, but also in ensuring that the freight that moves on it can do so easily, quickly and sustainably. To this end, the Government should develop an integrated freight plan as a matter of urgency.¹⁰

8. Our witnesses were generally supportive of the call for a renewed freight strategy. Freightliner, for instance, believed that it could facilitate sound investment decisions where there were choices between major road and rail upgrades. Network Rail suggested that the Government had arrived at an idea of its priorities relating to freight transport—primarily to enable the growth of rail freight in order to realise productivity and environmental gains—but there was still a need to “set out what that would mean over a period of quite a number of years”.¹¹ British Waterways and Sea and Water considered that a freight strategy exploring ways in which the various freight modes can interact, with measures to achieve

7 Q 10

8 Qq 2 & 7

9 DfT, *Sustainable Distribution: a strategy*, March 1999

10 Transport Committee, *The Ports Industry of England and Wales*, HC 61, Session 2006–07, para 62

11 Q 249

increased freight on domestic waterways, would give operators the certainty they needed to make significant investments in infrastructure.¹²

9. Some representatives of the ports industry, however, expressed concern at the prospect of Government “second guessing the market”, although the British Ports Association (BPA) did recognise the importance of considering the freight industry as a whole.¹³ It would like to see a freight policy rather than a freight plan, which would enable “targeted investment with careful thought given to transport projects which can have the maximum effect on freight efficiency”.¹⁴ The Association of International Couriers and Express Services was sceptical of the value of adopting an integrated freight strategy saying that it could result in “more bureaucracy and regulation being imposed on top of existing arrangements with no measurable improvement in the operation of freight transport”.¹⁵

10. The Government did not accept the Committee’s recommendation for a freight plan in 2007¹⁶ and the incumbent Minister still does not believe that it would be appropriate for the Department to produce a freight strategy, although he is committed to addressing freight in wider strategic work. He did concede that the Government should be able to “explain much more clearly” how its strategy meets the needs of freight users and how different freight modes interact. We were told that the Department intends to publish a statement on freight transport, pulling together its recent work and resulting conclusions, as part of a wider transport green paper this summer.¹⁷

11. The transport of freight has wide-ranging effects on individual businesses, the national economy, the transport network, and the environment. We are not persuaded that the Department for Transport’s “hands-off” approach is the right one. There are significant economic and transport benefits that could be gained from a more active Government freight strategy. The Government must not shirk this responsibility.

12. We have previously recommended that the Department should produce a national freight plan, which would be valuable in setting out the Government’s vision for the future of the freight transport sector. Important choices involving trade-offs between interested parties need to be made by the Government; its approach to such choices, as well as a description of the kind of freight transport industry that the Government would like to see in the future, should be brought together in a strategy document which should reflect regional and national needs. We recommend that the Government set out its aspirations for freight transport, including its potential contribution to reductions in congestion and transport emissions, likely requirements for and location of freight infrastructure and jobs, and the kinds of technology of which the freight sector might make use in the future. This information would also increase the confidence of those considering investing in freight infrastructure.

12 Ev 179 and Q 284

13 Ev 125

14 Ev 207

15 Ev 147

16 Transport Committee, *The Ports Industry in England and Wales: Government Response to the Committee’s Second Report of Session 2006–07*, 24 July 2007

17 Q 478

2 The Government's contribution to investment in infrastructure

Infrastructure requirements

13. Sir Rod Eddington's assessment is that (with some exceptions) the UK has the transport infrastructure that it needs. However, he describes the performance of those networks in terms of capacity, delays, reliability and comfort as poor in some places, particularly at peak times. He also notes that increasing demand over the next 20 years will mean that conditions will deteriorate unless action is taken.¹⁸ He argues that policy should focus upon improving the capacity and performance of the existing transport network and that "ambitions and dreams of extensive new networks [...] should be put on hold".¹⁹

14. Eddington recommended that the Government prioritise action on those parts of the system where the networks were critical in supporting economic growth *and* there were clear signals that those networks were not performing.²⁰ Over the next 20 years, the strategic economic priorities for general transport policy (including freight) should be:

- i. congested and growing urban areas and their catchments;
- ii. key international gateways that are showing signs of increasing congestion—specifically deep sea and feeder container ports, roll on/roll off ports and international airports that support a high level of business and/or freight usage (incorporating surface access to routes to these gateways where such links are congested); and
- iii. key inter-urban corridors where they show signs of increasing congestion and, from a freight perspective, may connect ports with distribution hubs and distribution hubs with their eventual markets.²¹

15. Although the economy continues to become less 'freight intensive'—apart from a brief period in the late 1970s, freight transport has grown more slowly than GDP—significant growth in demand for freight infrastructure is nonetheless expected in the coming years. The Government considers that there will be a need for increased air, port, rail and road capacity in order to sustain economic growth.²²

16. Professor McKinnon and others noted that an influx of container traffic is resulting in strong growth in freight traffic at ports.²³ The British Ports Association made a plea for the importance of roll on-roll off traffic (ships carrying lorries), which represents 14% of UK

18 HMT and the DfT, *The Eddington Transport Study: The Case for Action*, December 2006, para 1.76

19 *Ibid*, para 1.77

20 *Ibid*, para 1.79

21 *Ibid*, para 1.81

22 DfT, *Towards a Sustainable Transport System: Supporting Economic Growth in a Low Carbon World*, October 2007, para 1.19

23 See, for example, Q16.

traffic compared to multi-modal containers' 10%, to be recognised.²⁴ Other factors affecting the demand for capacity on particular modes were also highlighted, for instance changes in the energy mix resulting in a reduction in the amount of coal being transported by train,²⁵ as well as the growth in demand for personal transport by car and railway, which is increasing the strain on shared infrastructure.²⁶

The Sustainable Distribution Fund

17. In its 2004 Transport White Paper, the Government announced its intention to move towards a mode-neutral basis for distributing funding in support of schemes designed to minimise the impact of freight on the environment, safety and other transport users.²⁷ The intention was to reduce the number of lorries on the roads and to reduce the environmental impact of those that remained. In February 2005, the Department announced the establishment of the multi-modal Sustainable Distribution Fund, which includes a 'mode shift programme' to encourage the use of rail and water, and an 'efficiency programme' to encourage the more efficient use of all freight transport modes. The Minister told us that, in 2007–08, 33 bids to the Sustainable Distribution Fund were accepted resulting in over 800,000 fewer containers on the UK's roads.²⁸

18. Professor McKinnon was effusive about the success of the Sustainable Distribution Fund:

I think that the Government has pioneered a whole area of sustainable distribution over the past ten years. There are not many governments in the world, I think, that have been quite so clever in the way that they have done this. A whole spread of measures: encouraging best practice; benchmarking; advisory programmes; incentives for the use of alternative modes. On the whole, therefore, I am very positive about what they have done in terms of sustainable distribution.²⁹

19. The Freight Transport Association, on the other hand, felt that the Fund's success had been confined to certain goods and the markets, such as aggregates.³⁰ Freight on Rail considered the Fund to be good value for money but was concerned that the budget was "very constrained", citing a reduction for rail freight this year from £24 million to £18 million.³¹ Nautilus UK, a trade union for maritime professionals, argued that the level of Government grants for freight facilities, particularly shipping, was not proportionate to the economic importance of the freight sector.³²

24 Q 230

25 Q 48

26 Q 67

27 DfT, *The Future of Transport*, 20 July 2004, paras 8.7–8.12

28 Q 510

29 Q 19

30 Q 79

31 Qq 267 & 268

32 Q 141

20. In our January 2007 report *The Ports Industry in England and Wales*, we expressed our concern that combining the Freight Facilities Grant with other water- and road-freight grants would mean that less money would be available for freight than was the case under the separate schemes.³³ In 2005–06 and 2006–07, when funding was allocated to the modes individually, £26.6m and £29.9m in grants was provided through programmes that would in future be part of the Sustainable Distribution Fund. In 2007–08, the budget for the Fund fell to £25.5m, including £3m that was announced in June 2006, once mode-neutral arrangements had been introduced.³⁴ The Minister indicated that £44 million has been allocated to the Fund over the next three years.³⁵ Several witnesses at this inquiry were concerned that combining former modal grant schemes into one ‘mode neutral’ fund has been detrimental.³⁶

21. We remain concerned that the sums available under the Sustainable Distribution Fund appear to be diminishing. **Given the growing imperative for sustainable distribution, we recommend that the Department does not reduce its funding to support it, especially given the relatively small amount in question and the Fund’s apparent success. In fact, we believe that there are good arguments in favour of increasing the scale of public money available for freight transport infrastructure given the importance of the sector to the national economy.**

22. The Port of London Authority was able to point to some small-scale successes of the Sustainable Distribution Fund in, for instance, funding the provision of jetties and the refurbishment of barges,³⁷ and British Waterways contended that waterborne operators can be dependent on the grant regime.³⁸ However, Sea and Water, which lobbies for the increased use of water-based modes for freight, pointed out that rail freight operators were able to apply for an ongoing grant reflecting the environmental benefit of moving containers by rail which would have otherwise been moved by road, whereas operators utilising waterborne modes are only eligible for capital funding for infrastructure, which is difficult to invest in without a significant degree of long-term certainty.³⁹ The Department indicated that this difference is due to EU State Aid rules and said that the Government was working to eliminate this inconsistency, particularly so that the Sustainable Distribution Fund is more useful to coastal shipping operators.⁴⁰

23. While we are pleased that there are examples of the Sustainable Distribution Fund being used effectively, we are concerned that there are still barriers to it operating most effectively, particularly for waterborne modes. **Rail and water freight must be able to compete on an equal footing. Through discussions with the European Commission on its interpretation of the State Aid rules, the Government should seek to resolve the current inconsistencies in access to the Sustainable Development Fund between rail**

33 Transport Committee, *The Ports Industry in England and Wales*, Second Report of Session 2006–07, HC 61, para 66

34 DfT, *Annual Report 2007*, May 2007, Figure 9b, p151

35 Q 510

36 Qq 269 & 326

37 Q 324

38 Q 285

39 Q 317

40 Q 504

and water freight operators. If objective of the Fund is to reduce the number of lorry miles then each of the non-road modes should be treated on the same basis.

The productivity strand of the Transport Innovation Fund (TIF)

24. The Transport Innovation Fund (TIF) was announced in the July 2004 Transport White Paper and is forecast to grow from £290 million in 2008–09 to over £2 billion by 2014–15. Its purpose is to support the costs of regional and local transport schemes that tackle congestion (using demand management measures such as congestion charging) or enhance national productivity (as a result of road or rail improvements). The ‘productivity strand’ is focused on freight. In March 2006 the Government invited Regional Development Agencies to submit details of those schemes in their region that could be eligible for the productivity strand and be completed by 2009–10. It was particularly interested in proposals for

- measures to improve the capacity and resilience of strategic national freight distribution networks, hence supporting international trade and competitiveness; and
- measures to make the most of capacity at key pressure points on strategic networks, thus improving mobility for business and freight users.

25. On 18 December 2006, the Secretary of State announced that further work would be undertaken on the following schemes:

Strategic freight schemes

- reinstatement of Olive Mount Chord, Liverpool;
- Humber Ports/Immingham East Coast Main Line rail capacity enhancement;
- Peterborough to Nuneaton rail gauge enhancement;
- Gospel Oak Barking rail gauge enhancement; and
- Southampton West Coast Main Line rail gauge enhancement.

Strategic network schemes

- Birmingham Motorway Box active traffic management;
- M62 Leeds Bradford traffic management; and
- A14 corridor traffic management.⁴¹

26. Although it believes that there are strong arguments for increasing the sums available for such enhancements,⁴² EWS Railway is confident that these schemes will result in significant improvements to capacity for freight on the railway network:

⁴¹ DfT, *Annual Report 2007*, Cm 7095, May 2007, para 7.50

They are going to produce improvements from the ports on the East coast and the South coast, but that is not just where the money is being spent. It will also improve connectivity to Liverpool, it will improve connectivity to Immingham and Grimsby and I think the most exciting part of the TIF fund is the one which is hidden away, which is the improvement of the line between Gospel Oak and Barking, which is quite busy during the peaks but a key part of London's freight network.⁴³

International gateways

27. The Eddington Transport Study identified the UK's 'international gateways' as critical to competitiveness and productivity, estimating that 28% of the UK's national income was generated through international trade in goods and services. The UK imports 750,000 tonnes of goods each day, worth over £750 million.⁴⁴ Almost 80% of the total tonnage enters or leaves the country through just 15 ports.⁴⁵ In its October 2007 transport strategy, the Government set out "the challenge" as it pertains to international networks:

[it] is essentially the same as for local and national networks, i.e. it is about improving the predictable end-to-end journey-time. The key differences are the criticality of international links to a trade-dependent island and the fact that the demand-growth forecasts (particularly for business travel and container traffic) are particularly high.⁴⁶

[...] Eddington concludes that our survival in an increasingly competitive global market will turn on our success in exporting services and high-value manufactures to pay for imports of raw materials and lower-value goods. The international gateways through which we import and export are therefore vital. No amount of effort to improve our local or national networks will preserve our competitive position if our international networks let us down. [...] Poor international networks add to the cost of doing business, and are a powerful disincentive to inward investment.⁴⁷

28. However, the Government, which considers its role to be "[creating] the conditions in which investment is encouraged",⁴⁸ maintains that the question of whether and how to develop facilities at international terminals is one on which the owners should take the lead, responding to customer demand.⁴⁹

29. In July 2007 the Government published its *Ports policy review interim report*.⁵⁰ The report followed a year-long review of ports policy and consultation with stakeholders. It was intended to prepare the ground for a further statement focussing on inland

42 Q 273

43 Q 271

44 DfT and HMT, *The Eddington Transport Study: The Case for Action*, December 2006, para 1.58

45 *Ibid*, para 1.60

46 DfT, *Towards a Sustainable Transport Network*, October 2007, para A32

47 *Ibid*, para A28

48 DfT, *Ports Policy review interim report*, July 2007, page 1

49 DfT, *Towards a Sustainable Transport Network*, October 2007, para 3.32

50 DfT, *Ports policy review interim report*, July 2007

connections and a final report by the end of 2007.⁵¹ A new National Policy Statement for the ports sector is expected to be made under the Planning Bill currently before the House, which could extend to inland freight distribution infrastructure where this is connected to ports. The interim report states that the UK's success in globalised markets depends, in part, upon the ability of ports to “adapt and operate efficiently as gateways to international trade”⁵² and reaffirms the Government's support for a market-oriented approach.

30. The British Ports Association described the ports industry as “strategically and financially independent”, but has detected signs that the Government is becoming more interested in its “overall direction of travel” and future capacity requirements. The UK Major Ports Group believes that the Government's policy for freight transport is essentially correct. The industry

should be allowed to operate commercially and be able to respond quickly to changing market signals[...] regulation and subsidy should be kept to a minimum and only used where this is justified by wider policy objectives (e.g. safety and the environment).⁵³

31. However, it believes that a failure to address “acute pressure” caused by congestion bottlenecks on parts of the road and rail networks is the main weakness in the Government's approach.⁵⁴ Ports are often liable for the costs of improvements to surface access which, we were told, puts UK ports at a disadvantage compared to their Continental competitors, which do not have to meet such costs; and that it could result in investment being diverted away from the UK to high-return schemes elsewhere.⁵⁵ The Institute of Highways and Transportation told us that Government investment in road and rail connections to ports could ensure that the national and regional economies benefit from private sector investment at ports,⁵⁶ and the British Ports Association pointed to Eddington's estimate of benefit:cost ratios of between 3 and 15 for investment in surface access to ports.⁵⁷ Professor McKinnon and others argued that it should be the role of Government to provide inland road and rail infrastructure.⁵⁸

32. The Government accepts that for freight arriving by sea, while the maritime leg of the journey will be the longest in terms of duration, congestion at the port or on the surface access routes serving it can sometimes have the greatest impact on final arrival times. It concedes that, as growth in container traffic continues, these issues are likely to be exacerbated, particularly at peak times for retail businesses, such as at Christmas.⁵⁹ The interim report of its ports policy review promised a “further substantive statement” on

51 DfT, *Ports policy review interim report*, July 2007, para 15

52 *Ibid*, page 1

53 Ev 124

54 Ev 125

55 Ev 125, Ev 171 and Qq 125, 148 & 224

56 Q 15

57 Ev 207

58 Q 10 & Q 224

59 DfT, *Towards a Sustainable Transport Network*, October 2007, para A31

inland connections alongside the Department's response to Eddington and Stern.⁶⁰ However, although the Government published its response to the reports of Eddington and Stern in October 2007, there has not yet been a substantive statement regarding inland access to ports. This is unsatisfactory.

33. Growth in the UK economy and changes in the structure of the global economy are resulting in a change to the structure of the freight transport sector: an ever larger proportion of freight is arriving at ports and being moved in containers and it is important that the development of crucial infrastructure, such as for surface access, does not lag behind. **We commend the Government for committing to investments in freight-orientated infrastructure enhancements through the Transport Innovation Fund and urge it to continue to do so. It should seriously consider the scale of potential benefits that could accrue as a result of further investment in inland connections to ports. As well as looking to relieve the delays that result from bottlenecks, the Government must be mindful of the ability of UK ports to compete with their European neighbours, many of which are afforded a significant advantage through the state provision of inland connections.**

34. **The Government claims to recognise a growing need to improve inland connections to ports so we are disappointed that the related "substantive statement" has not yet materialised. We urge the Government to make a public statement on this as soon as possible. The criteria whereby decisions on funding will be made and the likely balance between public and private contributions should be explicit in order to give potential investors as much certainty as possible.**

60 DfT, *Ports policy review interim report*, July 2007, page 2

3 Capturing the costs of freight transport and facilitating modal shift

Appropriate pricing

35. Stern and Eddington both emphasise the importance of internalising the external costs of transport. That is, the wider costs of transport, such as congestion and pollution, should be paid for by those who cause them, rather than by society at large. The theory is that, by setting prices to reflect both the congestion and environmental costs of travel, the transport system will be used more efficiently, will support UK competitiveness, and will contribute to reduced emissions.⁶¹ The Government broadly supports this approach:

The fact that people pay at the point of use for each air, bus or rail trip they make, whilst use of the road is seen as a ‘free good’, has an impact on how they choose to travel. And [...] using pricing signals to improve the way that existing capacity is rationed offers a number of benefits [...]⁶²

36. Professor McKinnon told us that the market alone would not achieve the necessary conditions to make the freight industry more environmentally sustainable and that Government intervention would be required.⁶³ The Department is currently undertaking research designed to provide a better understanding of the freight transport sector’s potential contribution to reductions in CO₂ emissions and the Minister outlined some of the initiatives of the Freight Best Practice programme that are designed to address climate change issues.⁶⁴ However, apart from aviation’s inclusion in the EU Emissions Trading Scheme (see below), he was not able to point towards any specific initiatives by Government that are aimed at bringing about appropriate pricing for other modes of freight transport.

37. In 2005 road accounted for 64% of tonnes moved (tonne kilometres) and 82% of tonnes lifted (total weight) in Britain.⁶⁵ These proportions for road freight transport have increased from 36% and 72% respectively in 1953. Rail has increased its share of goods in recent years and is still the major mode for the movement of coke and coal. Waterborne modes continue to dominate the movement of petroleum products. The Department considers that the ultimate decision on appropriate modes of transport is made by operators, who consider such factors as access, cost, reliability and time.⁶⁶ It lists the following factors that, it believes, encourage rail and water transport and minimise the impacts of the other modes:

61 HMT and the DfT, *The Eddington Transport Study: The Case for Action*, December 2006, para 1.105

62 DfT, *Towards a Sustainable Transport System: Supporting Economic Growth in a Low Carbon World*, October 2007, para 2.15

63 Q 3

64 Qq 478 & 480

65 DfT, *Focus On Freight*, December 2006, para 1.9

66 Ev 77

- the Sustainable Distribution Fund through which, says the Department, “noticeable benefits of reduced CO₂ emissions, noise, pollution, safety and road congestion are secured”;
- low duty on red diesel and zero duty on bunker fuels (fuels used in shipping);
- the Tonnage Tax for shipping companies;
- the exclusion of electric rail freight from the climate change levy; and
- potentially, a trading scheme for aviation emissions, which could create financial incentives to the freight sector to prioritise the use of air only where there is a genuine need.⁶⁷

38. Factors outside the direct control of the Government—fluctuations in the price of oil, for example—can push up the costs associated with transporting goods by particular modes and so influence the choices of operators.⁶⁸ Mr King, of the Road Haulage Association, predicted the total collapse of his industry if the highest predicted oil prices were to be realised:

Yes, it would have a wonderful effect. It would open up our roads, eliminate congestion and I think we would all get around very well but we might be walking.⁶⁹

39. While the Government has some scope to mitigate the effects of rising oil prices by reducing levels of tax on fuel,⁷⁰ there is currently no explicit link between fuel taxes and the external costs of freight transport on which to base such a decision.

40. Despite its support in principle for pricing regimes which capture the external costs of transport, the Government does not appear to be taking coherent steps to achieve them. **The Government should publish a strategy setting out its approach in relation to capturing the external costs of transport. It should also look to reduce transport’s environmental cost by investing more in environmentally beneficial technologies across all modes.**

41. **The Government should also identify how it will address current anomalies in the costs incurred by UK and Continental hauliers.**

Road haulage

42. The Institution of Civil Engineers pointed to recent research that indicates that the cost of operating an HGV is only 59–69% of the full external cost that it imposes on society, as a result of carbon emissions, air pollution, noise, congestion, and collisions.⁷¹ Some of these

67 Ev 77

68 The Department currently makes use of projections for the price of oil that project a gradual fall to \$50 a barrel (in 2006 prices) by 2015; low and high projections for 2020 are for prices of \$25 and \$80. These projections are currently being revised by the Department for Business, Enterprise and Regulatory Reform. Alternative projections of \$200–250 a barrel by 2020 have been reported (Rail Freight Group, *RFG News*, February 2008, page 4)

69 Q 84

70 Q 85

71 Ev 105

costs were graphically described to us by representatives of Dover District Council, an area through which 2.5 million heavy goods vehicles are driven through each year:

If we take Dover particularly, the town centre is severed from its seafront communities, maritime community, by the A20 and the effects of that are that we have disparate communities there which are not able to engage. [...] The effect of the freight moving through Dover was described by a Regional Agency member as “a moving wall of steel” just passing through the town centre.⁷²

43. Many of our witnesses advocated congestion charging or road pricing as the most appropriate measure to increase prices for road users and so encourage a shift by operators away from roads towards other modes.⁷³ The Institution of Highways and Transportation pointed out that road-based freight operators could benefit particularly from reduced levels of congestion as a result of a road pricing scheme.⁷⁴

44. Sir Rod Eddington and many in the transport sector have called for the introduction of a road pricing scheme because of the potential benefits that such a measure offers. However, road pricing could not be implemented without increased public support and changes to the current system of roads taxation. We have recently announced that we will undertake a new inquiry into taxes and charges on road users in the Autumn.

45. The Secretary of State confirmed on 3 June 2008 that proposals to introduce significantly longer and heavier vehicles onto UK roads would not be taken forward.⁷⁵ This announcement followed the publication of a report which found that their introduction could be detrimental on several counts:

- it could lead to increased CO₂ emissions as a result of freight transferring from rail to road;
- it could have implications for road network management problems as the vehicle would be unsuitable for some roads and junctions; and
- it could introduce new road safety risks.⁷⁶

46. The report does, however, suggest that increasing the length of current 16.5m, 44-tonne articulated vehicles to 18.75m, the limit for current drawbar combinations, would be likely to represent a “low risk-low reward” option with a benefit to cost ratio of substantially in excess of 1.

47. Professor McKinnon, an author of the report, told the Committee that introduction of some of the very big vehicles that had been looked at could potentially have a “devastating effect on rail.”⁷⁷ Representatives of the rail freight industry were obviously concerned at this

72 Q 427

73 Including the Institution of Highways and Transportation (Q20), the Institution of Civil Engineers (FT 10, para 11 and Qq 29 & 41), Nautilus UK (Q124)

74 Q 23

75 DfT press release, ‘Superlorries’ not permitted on British roads, 3 June 2008

76 TRL, *Longer and/or Longer and Heavier Goods Vehicles (LHVs)*, June 2008, pp. ii–v

77 Q 55

prospect: EWS Railway had calculated that it could lose nearly half of its existing aggregates business and a fifth of its business for the steel industry; Freight on Rail estimated that up to 77% of container moves by rail could be lost to LHVs if they were to be introduced.⁷⁸ The Road Haulage Association, on the other hand, believed that trials should go ahead, contending that it would be possible to improve the efficiency of road haulage without holding back the development of rail freight.⁷⁹

48. We welcome the publication of the long-awaited report in relation to the introduction of longer, heavier vehicles and are pleased that the Government has chosen not to pursue their introduction. Options to bring about enhanced efficiency in the road haulage industry should continue to be explored.

Air freight

49. UK air freight increased 70-fold between 1950 and 2005⁸⁰ and by 40% in the ten years from 1995.⁸¹ Most of this growth has occurred for freight transported between the UK and locations outside Europe and, while the largest proportion is transported to and from the USA, the biggest increases have been for the United Arab Emirates, India and South Africa.⁸² At major airports such as Heathrow, Gatwick and Manchester, freight is predominantly moved in the holds of passenger aircraft (64% of all air freight is moved in this way, 57% through Heathrow⁸³), but other airports also cater for dedicated freight aircraft. Stansted and East Midlands are the UK's largest "freighter" airports.⁸⁴ Although the volume of freight transported through UK airports is small compared to that carried on other modes, about a quarter of the value of UK freight goes by air.⁸⁵

50. Encouraged by the UK government, in December 2006 the European Commission proposed a new Directive to include air transport in the EU Emissions Trading Scheme. Such a step would introduce permits and allowances governing the emission of CO₂ by airlines, with the total level of allowances limited to the average level of emissions in the period 2004–06. Airlines would be required to purchase credits from other sectors to offset growth in emissions from aviation beyond 2004–06 levels.⁸⁶ The Minister informed the Committee that, although the inclusion of aviation in the Emissions Trading Scheme has been agreed in principle, the details had yet to be thrashed out.⁸⁷ However, he has confirmed that both passenger and freight aircraft operators would be covered by the proposed scheme.⁸⁸

78 Q 252

79 Qq 107 & 108

80 DfT, *Towards a Sustainable Transport System*, October 2007, para 1.9

81 DfT, *Focus on Freight*, December 2006, section 1.9

82 Ev 154

83 DfT, *Focus on Freight*, December 2006, section 3.9

84 DfT, *The Future of Air Transport*, December 2003, para 4.28

85 DfT, *Focus on Freight*, December 2006, section 1.8

86 DfT, *Towards a Sustainable Transport System*, October 2007, para 2.52

87 Q 498

88 Ev 79

51. Representatives of both Manchester Airports Group (MAG) and the Civil Aviation Authority expressed their support for aviation's inclusion in the Trading Scheme.⁸⁹ MAG did, however, contend that Airport Departure Tax (totalling some £2 billion) already more than covers the cost of aviation's environmental impact and suggested that the tax should be removed if aviation were to be included within the Scheme.⁹⁰ It also expressed a general concern that environmental taxation appeared to be being applied to aviation and not to other transport modes, which has an impact on air-freight's competitiveness.⁹¹

52. We support the Government's efforts to secure the inclusion of aviation in the EU Emissions Trading Scheme, although we are concerned that progress towards finalising a detailed proposal appears to be slow. As well as continuing in its attempts with Member States to achieve a conclusion to this progress, we call on the Government to publish a clear timetable showing when it is anticipated. The Government must have regard for the need for UK airports to remain competitive with European air freight hubs, such as Brussels and Paris.

Rail freight

53. The rail freight industry has grown in the last ten years and now some 20 billion tonne-kilometres of freight are transported annually, including nearly 80 per cent of the coal used by the UK's power stations and over a third of all metal transported for our industries.⁹² Recent overall growth has been in two key areas: coal and containerised transport, both of which are predominantly imported and enter the UK through ports.⁹³ Network Rail expects that there will be a growth of up to 30% in freight lifted over the period from 2004–05 to 2014–15, which equates to up to 240 additional trains per day on weekdays (including return trips running empty). Every freight train takes an estimated minimum of 25 HGV journeys from the road, as much as 60 if the train is carrying aggregates.⁹⁴ These additional trains will save around 1.5 million lorry journeys each year.⁹⁵

54. Many of our witnesses welcomed the increases and the potential for further increases in the amount of freight being moved by rail. EWS Railway pointed to growth of 70% since 1997 and described the rail freight industry as one of the success stories of government policy and private sector involvement.⁹⁶ It believes that if the Government and Network Rail focus on infrastructure and operators invest in rolling stock and other resources, the environmental advantages associated with rail freight will result in a further 50% increase in freight moved by rail by 2014 with the potential for today's figures to double in the longer term.⁹⁷ However, Professor McKinnon considers that the size of rail freight's market

89 Q 389

90 Q 390

91 Q 355

92 Ev 96

93 Ev 95

94 Ev 98

95 Ev 96

96 Q 235

97 Q 237

is likely to be constrained by the size of the country (and so the average length of haul) and the “inherent inflexibility” of rail. He estimated that rail’s share of freight could be increased from 8–9% currently to, at most, 12–13%.⁹⁸ He said,

I do not think there is any magic bullet, any revolutionary new measure that the Government are going to find to support rail. I think it is a case of trying to use a bit more intensively some of the tools that they currently have to try and get freight onto rail.⁹⁹

55. While there are examples of freight being transferred to rail,¹⁰⁰ DHL said that the cost of rail is prohibitive.¹⁰¹ In 2003, Royal Mail withdraw all of its rail services in favour of road transport in order to save £90 million per annum. At the time, the Managing Director said,

There is a marked difference between the price we believe we should be paying for rail services and that which was on the table. Quite simply, other forms of transport can give us the same benefits, in terms of flexibility and quality, but at a lower cost.¹⁰²

56. In any case, we note that rail freight has not achieved the 300% growth that was predicted by the then Chief Executive of EWS to our predecessor committee ten years ago.¹⁰³ The Railfreight Interchange Investment Group contends that the “undoubted desire” of freight operators and their customers to increase their use of rail is not constrained by a lack of freight grants, more by a lack of capacity, “whether for freight train paths, train length or loading gauge, or by a lack of suitable interchange facilities.” Views on the construction of a new line dedicated to the movement of freight were mixed.¹⁰⁴

57. In order to address capacity constraints for freight, the Government proposed in its 2007 Rail White Paper the establishment of a Strategic Freight Network, which will be designed to

- complement and integrate with the passenger network;
- provide an enhanced core trunk network capable of accommodating longer and additional freight trains with both higher axle loads and enhanced loading gauge;
- provide appropriate diversionary routes and a seven day railway capable of dealing with disruption;

98 Q 39

99 Q 33

100 Eddie Stobart Ltd has announced the launch of its own rail freight service and a contract with Tesco to move goods between the retailer’s depots in Daventry and Livingston. The train, which will make the return journey between the depots every day, will apparently carry a load equivalent to the volume of 28 lorries and save 19,600 road miles each day. See FT 8, para 28.

101 Ev 101

102 For more information, see Library Standard Note SN/BT/151 on Rail freight.

103 Q 237

104 For arguments in support of investment in a dedicated freight railway line, see Ev 203–206 and Ev 105; for arguments against, see Q 108, Q 150 and Q 243.

- incorporate ‘acceptable freight routing’ to help freight avoid congested parts of the network and where possible exploits or develops capacity and capability of alternative routes;
- minimise conflicts with passenger services wherever possible and so improve the performance of passenger services; and
- give freight operators, customers, port owners and developers a more stable environment for planning freight.¹⁰⁵

58. Through the Strategic Freight Network, potential gauge enhancement for wider European containers will be identified and disused alignments could be safeguarded.¹⁰⁶

59. The Government says that it will work with the freight industry to develop and facilitate the delivery of the Strategic Freight Network and that £200 million of Network Rail investment has been identified in the period to 2014. This £200 million will be recovered by Network Rail, first from passenger access charges to the extent that passenger services benefit and then the balance from rail freight operators through Track Access Charges.¹⁰⁷

60. While witnesses welcomed the “support” shown for rail freight in the White Paper (Freight on Rail says that the commitment of £200 million towards a Strategic Freight Network will give the industry confidence to make long-term investments),¹⁰⁸ the level of funding available for the Strategic Freight Network was criticised by the Railfreight Interchange Investment Group:

the proposed budget of £200 million for creation of a Strategic Freight Network [is] less than the total amount that a developer would typically invest in a single Strategic Rail Freight Interchange. [...] the allocation of £200 million to the Department to create a Strategic Freight Network simply will not provide the required network capability required by industry to achieve a step-change in modal shift to rail.¹⁰⁹

61. An additional concern, that the expansion of the rail freight industry is being constrained by a lack of strategy around the provision of interchanges, was raised. Freight on Rail believes that local authorities do not have the expertise to make appropriate planning decisions in relation to rail freight interchanges and calls for a more “holistic system”.

62. Nonetheless, it appears that the Department has a relatively clear idea of the ways in which capacity for rail freight can be increased and, through the Transport Innovation Fund and the Strategic Freight Network, the Government is providing the means to begin to bring such improvements about. **We are pleased that the Government is working with the rail freight industry to develop a blueprint for its Strategic Freight Network, but**

¹⁰⁵ DfT, *Delivering a Sustainable Railway*, July 2007, chapter 9

¹⁰⁶ Network Rail, *Freight Strategy*, October 2007, pp. 13 & 14

¹⁰⁷ *Ibid*, para 9.36

¹⁰⁸ Ev 164; Qq 236 & 241

¹⁰⁹ Ev 113–114

concerned that the money identified so far will not be enough to achieve the kind of improvements that will be required. We shall be interested to examine the finalised list of proposed improvements to be paid for with the £200 million that has so far been committed. We urge the Government to ensure that the Strategic Freight Network provides the impetus and a strategic justification for decisions to be taken in the long term interest of the railway network, such as safeguarding potentially valuable disused routes

Network Rail

63. The Office of Rail Regulation says that Network Rail will play a key role in meeting the challenge of providing extra capacity.¹¹⁰ However, EWS Railway is unhappy with Network Rail's performance:

In 2006/7 Network Rail missed its freight performance target by 18%. Freight must become as important to Network Rail as passenger services if freight operators are to get the quality of service necessary to achieve the growth potential. Network Rail should have freight performance targets, improve responsiveness and recognise freight's needs in timetable and capacity planning.¹¹¹

64. There are also concerns with Network Rail's costs, which EWS concluded were "more than double those of world best-practice" (which is taken to be North America).¹¹² EWS was concerned that Track Access Charges, which account for 20% of their costs, were already the second highest in Western Europe and could increase by a further 25% in coming years.¹¹³ Figures from the ORR indicate that annual freight variable usage charges in Control Period 4 (2009–14) will be £41–99 million, compared with £93 million at present (a final determination is expected in October 2008).¹¹⁴

65. Network Rail told the Committee that it had identified its performance on behalf of freight operators as an area where it needs to improve.¹¹⁵ It plans to improve the level of delay to freight trains by around 25% between 2009/10 and 2013/14 (Control Period 4 in Network Rail's Strategic Business Plan).¹¹⁶ However, it acknowledges that it needs to do a lot more work with the operators in order to determine how exactly such an improvement can be achieved, or indeed whether a 25% reduction in delay is an appropriate target.¹¹⁷ With respect to costs, although it disputed EWS's figures, Network Rail conceded that there was "a massive need" to improve efficiency. Network Rail also outlined several factors, including previous, long-term underinvestment, which have contributed to higher maintenance costs than those of comparable networks.¹¹⁸ The Department expressed

110 Ev 157

111 Ev 81

112 Ev 80

113 *Ibid*

114 Ev 74 and Q 512

115 Q 255

116 Network Rail, *Strategic Business Plan*, October 2007, pp. 12 & 13

117 Q 258

118 Q 266

concern that Network Rail's freight performance target had not been met but noted that primary responsibility for monitoring Network Rail rests with the Office of Rail Regulation.¹¹⁹

66. While Network Rail might aspire to improve the service it offers to its freight customers, it does not appear to have much of an idea of how to go about doing so. We recommend that Network Rail, following its discussions with freight operators, publish a strategy for improving performance for freight. This should be given the same urgency as proposals relating to passengers.

67. The Department itself, and not just the ORR, must make an effort to hold Network Rail to account for poor performance and use its influence and expertise in an attempt to improve the situation. We hope that Track Access Charges in Control Period 4 are towards to the lower end of the Office of Rail Regulation's anticipated range of £41 to 99 million. Prohibitive Track Access Charges could seriously hamper the move to shift freight off the roads and onto rail.

Inland waterways and coastal shipping

68. The role of most non-tidal waterways has changed dramatically over the years: having once been used mostly for freight transport, these waterways are now used mainly for leisure.¹²⁰ Freight traffic on the inland waterways accounted for less than 1% of domestic freight moved in 2006. Unlike continental Europe, much of the country's inland waterway system is unsuited to carrying significant volumes of freight but the larger river navigations and canals still carry some traffic and could take more. They are particularly suited to bulk cargoes such as coal, fuel oil, aggregates, steel, and timber where their origins and destinations are directly accessible by water.¹²¹

69. The Port of London Authority reports that interest in using the River Thames for transporting freight is at the highest level it has been in many years and that the 1.8 million tonnes of freight lifted on the river in 2006 represents a 15% increase on the previous year. However, it sums up the strategic situation as follows:

The promotion of freight modal shift from roads to inland waterways has been a recurring political theme over the last ten years. There has however been little systematic analysis at a strategic level of the conditions required to actually implement it and their transferability across the UK.¹²²

70. When coastal shipping and one-port traffic (to or from offshore installations, or dredged materials) are included with freight movement on inland waterways, domestic water can be seen to be far more significant, moving 21% of domestic freight (52 billion tonne-kilometres) and lifting 5% of domestic freight by weight (126 million tonnes) in 2006. However, goods moved on domestic water fell by 15% compared with 2005, largely due to a decrease in oil landed from North Sea oil fields and reduced coastwise transport of

119 Qq 506 & 507

120 <http://www.defra.gov.uk/environment/water/iw/index.htm>

121 DETR, *Waterways for Tomorrow*, June 2000, para 6.62–6.66

122 Ev 84

oil. Over the decade to 2006, goods moved by domestic water fell by 6%, although there have been fluctuations, and now about three quarters of goods moved is accounted for by petroleum products.¹²³

71. The Institution of Civil Engineers believes that the UK's 100 or more commercial ports offer a "coastal ring road" for shipping that could, with further port development, transfer domestic freight around the country, providing relief for the road and rail networks.¹²⁴ Sea and Water agrees that there is considerable potential to increase the percentage of coastwise freight since the requisite infrastructure, navigation channels and ports, is already available. It told us that, if all the container traffic that passes through Felixstowe destined for the north of England were to be transported by coastal shipping, 2 billion tonne kilometres of freight would be removed from road and rail. It asserted that coastal shipping is both cost effective¹²⁵ and environmentally friendly, and presented figures indicating that road freight produced four times the carbon emissions of coastal shipping.¹²⁶ Sea and Water believes that making it easier to develop warehousing facilities at ports would improve the economic basis for coastal shipping.¹²⁷ The UK Major Ports Group was disappointed that coastal shipping was not clearly recognised as an alternative to road freight transport in the Government's October 2007 transport strategy and believes that it could be encouraged will more support through the Sustainable Distribution Fund.¹²⁸

72. Sea and Water asserted that coastal shipping and inland waterway transport had the potential to move nearly as many tonne-kilometres of freight as the railway network, but that a focus by the Government on rail freight means that domestic water is not fulfilling its potential.¹²⁹ It argued that the fact that rail has a single network provider—Network Rail—is a contributing factor.¹³⁰ Canals and rivers are managed by British Waterways, which is sponsored by Defra in England and Wales. While British Waterways is aware of calls for more freight to be transferred to inland waterways and says that it is committed to seeing more freight on its waterways where it is economic to do so, it believes that there is not a full understanding of the real costs and benefits.¹³¹

There is very little consensus on the problems or solutions involved. This tends to dilute the efforts of those who support growth of waterborne freight and results in disparate, uncoordinated calls for more freight but very little inroads in a policy sense or translation into an actual increase in waterborne freight.¹³²

123 DfT, *Waterborne freight in the United Kingdom: 2006*, November 2007

124 Ev 106

125 Ev 179

126 Ev 181; in 2004, road freight was responsible for some 0.08 tonnes of carbon per 1,000 freight tonne-kilometres while the figure for coastal shipping was 0.02 tonnes.

127 Q 300

128 Q 195

129 Q 335

130 Q 336

131 Ev 182

132 Ev 182

73. We have previously recommended that the Department for Transport take over responsibility for inland waterways, giving them a higher priority in its freight strategy.¹³³ Several contributors to this inquiry agreed¹³⁴ and the Port of London Authority bemoaned the “multiplicity of agencies which one has to deal with in order to get freight from the roads onto water”. However, British Waterways maintained that, while it is important that there is a specialised unit within government devoted to waterways transport, it matters less which department it reports to.¹³⁵

74. Although the Minister could not imagine that “instinctively one would be satisfied” with the rate at which freight movements were being transferred onto domestic water, he told us that the Government was doing everything it can to encourage it and the industry is not making use of the grants that are available.¹³⁶ He anticipated that the new National Planning Policy Statement on ports would contain a target relating to the volume of coastal shipping.¹³⁷

75. We are pleased that the Government intends to include a coastal shipping target in the forthcoming National Planning Policy Statement on ports. But we believe that it could do more to encourage waterborne freight transport, particularly by offering strategic direction similar to that which is developing for rail freight. We are wholly unconvinced by British Waterways’ argument that it simply does not matter which Department has responsibility for the inland waterway network; if the inland waterways are to be taken seriously as part of the strategic transport network, then the DfT should have responsibility for them.

76. The Minister also informed us that the Government is in discussions with the European Commission regarding State Aid criteria that currently prohibit the ongoing use of the Sustainable Distribution Fund for coastal shipping.¹³⁸ **The Government should adopt more urgency in its discussions with the Commission on coastal shipping so that it will be able to offer funding to the short sea operators where there is an environmental benefit as a result of reductions in lorry miles.**

133 Transport Committee, *The Ports Industry in England and Wales*, January 2007, para 68

134 Ev 139 and Q 312

135 Q 310

136 Qq 501 & 502

137 Q 516

138 Q 504

4 Balancing the needs of the freight industry and wishes of the wider public

77. The needs of the freight industry are of course closely aligned with the needs of the general public because of the public's reliance on the efficient distribution of goods. However, there are some areas where the industry comes into conflict with particular groups—such as householders, motorists or passengers on public transport—and the Government is required to intervene to balance their competing needs. EWS Railway, noting similarities between the problems faced by the rail freight and road haulage industries, explained that operators are not “just moving freight for the sake of it” but that “it is going for energy production, construction, and increasingly for delivery to supermarkets for the consumer.”¹³⁹ The Central London Freight Quality Partnership described the problem as it relates to road haulage:

The general public's perception of a lorry or a truck is that they don't want them on the road. They are a no-no. They get stuck behind them. The only time they want them is when they want a delivery made or they want to go into the store and find the goods on the shop floor, and it is big issue getting them to understand that.¹⁴⁰

Conflicts between passenger and freight services

78. The Institution of Highways and Transportation admitted that transport planners had focused on passenger transport and we have neglected freight transport.”¹⁴¹ And in emphasising that “very little, if any” infrastructure funded by Government is provided solely for freight, the Minister seemed to imply that the Government's priority was passenger transport.¹⁴² The British Ports Association considers that passenger transport currently has “policy priority” over freight, which, it says, is a particular issue for rail freight as a result of “unforeseen and dramatic rises in passenger numbers.”¹⁴³ The RMT would rather the Government had control over both the passenger and freight networks in order that it could take a more strategic approach.¹⁴⁴

79. The rail freight industry looks to Network Rail to prioritise appropriately between passenger and freight services; to deal with what the Freight Transport Association called the “ongoing tension” between the two using suitable franchise arrangements and Track Access Charges.¹⁴⁵ A witness from Network Rail explained:

139 Q 244

140 Q 474

141 Q 42

142 Q 478

143 Ev 207

144 Q 151

145 Q 109

We have to balance those requirements [of passenger and freight operators] every day, both in terms of the short-term operation of the network [...] and how we allocate the capacity that is available, how we develop the network [...] I think we try to work very hard across the whole of the industry to get as much as possible a consensus, as much as possible based on objective criteria and appraisal and evaluation of the benefits.¹⁴⁶

80. As ever, capacity is the major concern of the industry. EWS highlighted concerns that passenger services were prioritised at times when the network was not at full capacity, either during planned engineering works or during an incident: “freight does not vote and by and large a passenger train, however many people are on it, will tend to get priority over a freight train in the event of disruption.” EWS is working with Network Rail on this issue. Capacity for freight can also be encroached upon by wider, long-term objectives, such as Crossrail and new passenger services on the North London Line.¹⁴⁷

81. Freight on Rail suggested that some relatively inexpensive upgrades of existing lines could reduce conflicts between passenger and freight services. It would be possible, we were told, to get from Felixstowe to Crewe without using the West Coast Main Line by upgrading some sections of line that are currently used only lightly by passenger services. EWS pointed out that, since freight operators voluntarily stay out of the way of passenger trains during the morning and evening peaks, EWS would like access during the day and early evening. The possibility of Network Rail undertaking some of its engineering work during the quiet period in the middle of the day rather than during the night was also raised. Network Rail acknowledged that there was much still to be done, working with the train operators to make better use of the capacity, more of the time.¹⁴⁸

82. Again, it seems that Network Rail is aware that it needs to *do something* about the problems that freight operators face when passenger services are prioritised ahead of freight trains, but there is not yet a coherent plan. **We are pleased that Network Rail are talking to the industry about the respective priorities of passengers and freight, and that a reasonable working relationship appears to exist. Network Rail must progress its thinking in relation to providing reliable capacity for freight, even in the event of network disruption. Network Rail must recognise the importance of freight instead of treating it as the poor relation of passenger services. Operators should be able to see a clear link between the Track Access Charges that they pay and the service that they receive.**

83. **Freight must not be undervalued. The need for high profile and much needed improvements for passengers must not sideline the importance of schemes designed to improve the efficiency of freight transport. Upgrades that will benefit freight must not disappear from consideration. Studies into the possibility of high speed and upgraded rail must include an assessment of the benefits of freeing up existing capacity for freight. Similarly, the potential for increased capacity for passenger services should be given due consideration in relation to proposals for a dedicated freight line.**

146 Q 242

147 *Ibid*

148 Qq 243–245

84. Analogous issues relating to inland waterways were described to us. While British Waterways believe that they are getting the balance between freight and leisure users about right, GPS Marine Contractors and Sea and Water are concerned that high tariffs for commercial traffic (double that for leisure users) are resulting in fewer operators using the waterways.¹⁴⁹

Out of hours deliveries in urban areas

85. Schemes to restrict the movement of lorries at night and at the weekends are designed to minimise the disruption caused by deliveries. However, the Freight Transport Association and others told us that such restrictions in urban areas have made the delivery of goods increasingly difficult and contributed to congestion during peak hours of the day.¹⁵⁰ The Institution of Highways and Transportation called local night time restrictions on deliveries “one of the key impediments to supply chain efficiency”.¹⁵¹

86. Several of our witnesses told us that there is a case for looking at relaxing such restrictions in the wake of vehicle and best-practice improvements.¹⁵² While TfL believes that some restrictions on vehicle size are appropriate for certain urban residential areas, it says that delivery by low-carbon, suitably sized vehicles should be encouraged in order to “reduce CO₂ emissions, lessen road-user risks and minimise congestion.”¹⁵³ The London Councils Transport and Environment Committee pointed to restrictions on the noise of operations at night, such as the Dutch PIEK project which limits the volume of night time activities to 65 decibels, as a potential way to resolve the issue,¹⁵⁴ although the Freight Transport Association reminded us that customers can be reluctant to receive deliveries in the middle of the night.¹⁵⁵

87. The Government’s *Sustainable Distribution* (1999) says the following regarding the possibility of shifting lorry traffic away from the peak hours:

This could help to ensure efficient access for vital goods and services, at the same time as playing a very constructive part in helping to reduce traffic-related problems. Clearly it would not be acceptable if it meant increased disturbance for local residents, so there is a need for local authorities to work with industry and central Government to examine the potential for reducing lorry noise, including the disturbance caused by loading, unloading and handling.¹⁵⁶

88. The Central London Freight Quality Partnership did not believe that the Government has a coherent approach to make decisions about night time deliveries or is doing enough to explore the possibility of allowing out of hours deliveries subject to noise limits.¹⁵⁷

149 Qq 313 & 314

150 Ev 174

151 Ev 119

152 See, for example, Q 40

153 Ev 130

154 Ev 69

155 Q 89

156 DETR, *Sustainable Distribution: A Strategy*, March 1999, para 6.55

157 Qq 437 & 439

Although a consensus might not be reached, bringing people together to discuss potential advantages of relaxing restrictions, such as reduced congestion and emissions, can lead to solutions being identified.¹⁵⁸ The Minister mentioned plastic rather than metal equipment and radios that turn off automatically when cab doors are open.¹⁵⁹ The Freight Transport Association praised the Government for its production of a toolkit for local authorities to improve understanding of the potential advantages and disadvantages of relaxing delivery restrictions and its support for several pilot schemes that are ongoing.¹⁶⁰

89. The Government has also promoted the development of Freight Quality Partnerships to provide a forum for dialogue between local authorities, the freight industry, business communities, residents and environmental groups and are designed to achieve best practice in environmentally sensitive, economic, safe and efficient freight transport.¹⁶¹ Witnesses suggested that Freight Quality Partnerships are a good way to ensure interested parties work together on freight issues and understand one another's perspectives. The Central London Freight Quality Partnership considered that a requirement for FQPs in Local Transport Plans would be a positive step and could lead to more expertise in freight transport being developed in local authorities.¹⁶²

90. While out of hours deliveries must not be allowed to cause unacceptable disturbance to residents, best practice and an increasing imperative to reduce peak congestion in urban areas mean that relaxations of blanket delivery bans should now be seriously considered, where appropriate. The Government has been praised for its Freight Best Practice scheme, which is encouraging among other things the development of quieter equipment, and Freight Quality Partnerships are increasingly facilitating productive communication between freight operators, businesses and local residents. But we are concerned that instances where local agreements have been successfully negotiated are still relatively rare and progress towards wider adoption of noise restrictions, rather than delivery bans, appears to be slow.

158 Q 434

159 Q 479

160 Q 96

161 DETR, *Sustainable Distribution: A Strategy*, March 1999, para 6.53

162 Qq 459 & 462

5 Freight transport and the regions

91. According to the English Regional Development Agencies:

Freight transport plays a vital role in supporting and driving sustainable economic growth across the English Regions. It is a key part of the supply chain and the performance of the sector directly impacts on the ability of suppliers, manufacturers, distributors and retailers to compete in the global marketplace. Increasing the efficiency of freight transport is directly linked to improvements in productivity which in turn support and promote business competitiveness across the English Regions.¹⁶³

92. We have previously noted that a national framework for ports development will stand or fall on the strength of its ability to bring port development and traffic to the regions. It is the job of Government to ensure that commercial interests sit within a strategic framework for national development and regional growth.¹⁶⁴ The Northern ports that gave evidence to our inquiry (Peel Ports and PD Ports) described some potential advantages of their development in terms of modal shift—that increased shipping to the North would reduce the requirement for goods to be transported by road—and relieving demand on the rail network, particularly in the Greater South East area.¹⁶⁵ Peel Ports says that the area within 50 miles of the Port of Liverpool has a population of nearly six million and generates some 15% UK container trade, yet the Port is only handling around 6% of UK container business.¹⁶⁶ As PD Ports pointed out, “the one element of infrastructure which we do have is the sea, which is available now. Roads and rail require a lot of investment to increase capacity and will take time”.¹⁶⁷

93. Peel Ports pointed towards the ports’ own investment, arguing that the development of regional ports is in both the regional and the national interest.¹⁶⁸ The British Ports association were, however, concerned that Government intervention in the ports market could lead to uncertainty over where responsibility for planning additional capacity lies—with the ports industry or the Government.¹⁶⁹

94. In its *Ports Policy Review interim report* the Government expresses its view that commercial port operators are best-placed to make decisions about where and when to invest in the ports sector and that there would be no additional benefit from a “locally or regionally *determinative* ports policy” as long as the industry “takes full account of both the adverse impacts and the benefits, locally and regionally.”¹⁷⁰ It concludes that only in exceptional circumstances will the Government regard local regeneration as a justification

163 Ev 184

164 Transport Committee, *The Ports Industry of England and Wales*, HC 61, Session 2006–07, paras 57–59

165 Ev 116, Ev 126 and Qq 182, 222 & 233

166 FT 17, para 6.1

167 Q 182

168 Q 222

169 Q 232

170 DfT, *Ports policy review interim report*, July 2007, page 1

for direct public subsidy to a port.¹⁷¹ Peel Ports and PD Ports consider that the Government has indirectly encouraged the expansion of Southern ports through improvements to road and rail infrastructure connecting these ports with national rail and road networks.¹⁷² The English RDAs told us that while the Government is active in looking at connections from ports to centres of economic growth in the North, there is a question as to whether the “quantum of investment” is available to bring about significant improvements.¹⁷³ PD Ports contended that decisions regarding Government investment through the Transport Innovation Fund could in fact be used to help promote regional ports.¹⁷⁴

95. PD Ports calculate that it is possible to save up to £200 per container by shipping freight to the North East of England rather than transferring containers to lorries at one of the Southern ports, although it would be slowed. It gave us the example of Asda, which is now receiving freight by sea on the Tees and saving some 4 million lorry miles per annum, as well as saving on labour and land costs.¹⁷⁵ But we have heard before from the shipping company Mearsk that the reason port development has been focused in the south-east of England is the proximity to the main shipping routes from the Far East and Europe, and of its belief that “the market will make the right decisions”.¹⁷⁶ We were told that shipping freight to the North is expensive and that to do so is less cost-effective than transporting containers by rail from the South-East, even though capacity is limited.¹⁷⁷ (Mearsk in fact considers that, unless more public money is made available to fund inland infrastructure in the Greater South East area, even these, the largest of the UK’s ports, will eventually lose business to ports on the Continent, where such improvements are often centrally funded.¹⁷⁸)

96. The cost-effectiveness of shipping to the Northern ports could improve with the introduction of Post-Panamax¹⁷⁹ terminals at the Port of Liverpool and Teesport.¹⁸⁰ Peel Ports is confident that it will attract deep-sea ships to Liverpool that currently offload containers destined for the North in the Greater South East area. It believes that the choice it will be able to offer shipping lines will result in more effective competition between ports with stronger market forces, but it does not believe it is getting appropriate support from Government in making its investment. Peel Ports complained that it was getting no support for its investment in the forthcoming Post-Panamax terminal, even though it would bring wider benefits in terms of regional development and the environment.¹⁸¹

171 DfT, *Ports policy review interim report*, July 2007, para 13

172 Ev 126 and Qq 186, 222 & 223

173 Qq 13 & 14

174 Q 222

175 Q 187

176 Transport Committee, *The Ports Industry of England and Wales*, HC 61, Session 2006–07, Qq 16, 23 & 24

177 *Ibid*, Q 29

178 *Ibid*, Q 31

179 A class of container ship with dimensions larger than the maximum dimensions that will fit through the locks of the Panama Canal.

180 Qq 183 & 188

181 Q 184

97. The Minister is content that market forces are acting appropriately:

I recognise the issue. I do not recognise it as a problem. Were there no investment taking place at all in the North, then I would recognise that as a problem. Given that we clearly have investment in the North, we are in a competitive market worldwide.¹⁸²

He pointed towards the Government's approval of planning applications for Post-Panamax facilities at Liverpool and Teesport but emphasised the importance of providing facilities in the Greater South East in order to retain international competitiveness.¹⁸³

98. It is clear that the UK's geography will encourage growth in demand for ports capacity in the Greater South East area. But the Government must be careful not to intensify that tendency by distorting the market with its decisions relating to inland access and planning. It should realise that supporting port infrastructure in the regions assists regional regeneration as well as the national interest. We are not convinced, for instance, that in allocating a large proportion of the Productivity Transport Innovation Fund to schemes in the South the Government has taken the full range of costs and benefits—including regeneration, employment and potential environmental gains from modal shift—into account. It is worrying that the Department does not seem willing to consider the implications of its decisions for regeneration.

99. While being mindful of the international competitiveness of ports in the South East and that it would be undesirable to be left with under-utilised infrastructure, the Government has the power to enhance the commercial viability of shipping to the regions by investing in improved infrastructure, particularly for inland access to ports. Increased capacity could lead to reduced transport times and costs for operators wishing to ship freight directly to the North, relative to transferring containers onto trains or lorries in the South East. **The policy of making an ever-greater investment in infrastructure to cope with demand in the South East, although it might temporarily mitigate the congestion caused by an insatiable demand for new capacity, is not sustainable. In fact, it looks remarkably like the old “predict and provide” policy for road capacity. Without directly intervening in the market, the Government has the ability to effect changes to the relative viability of operators' options. It has embraced the idea that, if the freight industry is left entirely to the market, a system resulting in the perfect, most efficient transportation of freight will emerge. However, that approach ignores other priorities, such as regeneration, employment, the wealth gap or the environment. The Government should not be a helpless bystander.**

182 Q 500

183 Q 499

6 Freight transport and the European Union

European Commission freight initiatives

100. Mainland Europe has long taken a different approach to freight transport than the UK, with governments on the Continent being more willing shape and control their freight industries. In October 2007, the European Commission adopted initiatives aimed at making freight transport in the EU more efficient and sustainable. These include proposals relating to logistics, to a rail network giving priority to freight, to ports, to a barrier-free European maritime transport area and to the Motorways of the Sea scheme. The objective of these initiatives is to “promote innovative, infrastructure technologies and practices, develop means of transport, improve freight management, facilitate the construction of freight transport chains, simplify administrative procedures and enhance quality throughout the logistic chain.”¹⁸⁴ The Commission estimates that the volume of goods transported in Europe will increase by 50% between 2000 and 2020 and that freight currently contributes around 8% of all European emissions of carbon dioxide.

101. The Freight Transport Association credits the UK Government with taking “a very positive leading role within the EU—shaping policy relating to freight in a constructive direction.”¹⁸⁵ It also considers that the Government has “generally adopted EU regulations into UK law in a flexible and workable fashion, avoiding unnecessary burden on industry.” However, Nautilus UK is critical of the UK Government’s response to Motorways of the Sea, saying that it is only now, several years after its inception, beginning to invite proposals for operating services related to the scheme in contrast to other Member States, which were “quick to embrace the plans”.¹⁸⁶

102. Several other witnesses agreed that the Government’s insistence on a market approach, as well as precluding it from providing strategic direction (for better or worse), results in an unwillingness to pursue European money for UK industry for fear of distorting competition.¹⁸⁷ The British Ports Association described the grants as “not a UK way of doing things.”¹⁸⁸ Motorways of the Sea was described as complex to apply for and inflexible in its application, which could also partially explain any lack of successful UK applications.¹⁸⁹

103. Peel Ports is, however, working with a UK shipping line that is in the process of applying for funding through Motorways of the Sea¹⁹⁰ and the Minister defended the UK’s performance in attracting funding through Motorways of the Sea telling the Committee

184 *Freight transport in Europe*, European Commission press release, 18 October 2007

185 Ev 175

186 Ev 193

187 Qq 117, 130, 164, 205 & 207

188 Q 205

189 Qq 196 & 197

190 Qq 208–211

that of sixteen bids that were approved last year five of them were from the UK.¹⁹¹ He also told us that a “strong team” at the Department is working with the shipping and ports industries to prepare bids for future rounds of funding.¹⁹² In contrast, the British Ports Association claimed that, unlike the governments of other Member States, “getting [UK] Government cooperation in schemes that get money out the Commission is not an easy thing to do.”¹⁹³

104. The Government is determined to promote a strict market approach towards freight transport within the European Union but many Member States are still happy to support business interests in their countries. This puts companies operating in the UK at a disadvantage. **The Government must engage with European schemes to ensure that UK business is not disadvantaged. It must do all it can to help the UK freight industry take full advantage of such initiatives.**

105. Ports operators described the situation where the major ports on the continent, such as Rotterdam, Antwerp and Hamburg, enjoyed substantial public sector financial assistance on the basis of how important their infrastructure was to their regional and national economies. Peel Ports claimed that the UK Government’s policy towards its ports has been to “obstruct public sector finance in assisting the development of infrastructure”.¹⁹⁴ Although such public funding would appear to be against the spirit of the free market, we were told that much of it is perfectly legal since it can be classed as public infrastructure, the funding of which by Member States is sanctioned.¹⁹⁵

106. We have previously called for the Government to ensure that our ports have a “fighting chance to securing EU funds in a fair competition”, and we expect Government to take up with the European Commission cases where Member States appear to be dragging their feet on implementing EU directives and regulations as diligently as is the case in the UK.¹⁹⁶ The Government has said that it plans to stress the need at European level for transparency in public funding for ports and inland infrastructure.¹⁹⁷

107. The Government has a decision to make in relation to European funding: does it work with ports to engage with European initiatives even though they represent an approach with which they do not see eye to eye, or does it take a principled stand against intervention in the free market with the risk that UK businesses are disadvantaged. **The Government should recognise the problems that are created for UK ports by its failure to engage. Like the other European freight initiatives, the UK Government must do what it can to help UK ports attract European money in order that our industry can compete with the big Continental ports. Efforts should also continue to be made in attempting to reduce the subsidy of ports where it is against free-market regulations.**

191 Q 518

192 Q 520

193 Qq 203 & 204

194 Ev 127; PD Ports took a similar view, see Ev 116–117, as did the BPA (Q 243).

195 Q181

196 Transport Committee, *The Ports Industry of England and Wales*, HC 61, Session 2006–07, paras 76 & 77

197 DfT, *Ports policy review interim report*, July 2007, page 2

Competition for air freight between European airports

108. The UK's most significant airport for freight transport, Heathrow, transports the fourth largest amount of freight of all the European airports behind Frankfurt International, Charles de Gaulle and Amsterdam Schiphol. Brussels and Luxemburg also transport significant volumes of freight.¹⁹⁸ The DfT said in 2003 that there was some evidence of UK-based companies trucking goods to and from continental airports, which might reflect the pressure on capacity at the principal airports of south east England.¹⁹⁹

109. Considering whether facilitates for international air freight should be expanded so that UK airports can continue to be attractive as European hubs for air freight, the Institution of Highways and Transportation argued that, while it would be beneficial, it should be left to the market to supply such infrastructure if there is a demand.²⁰⁰ Manchester Airports Group was resigned to the likelihood that aviation in the UK will continue to be self-sufficient, even though it believed that some Continental airports may be receiving national and European subsidies.²⁰¹ Its main concern was that the Government's "unilateral" approach to aviation taxation, specifically Air Passenger Duty, is damaging UK industry's competitiveness.²⁰² It contended that the UK's prosperity requires recognition by Government of the high value of the freight transported by the UK aviation industry²⁰³ and recommended that the Government press for a European-wide framework for the regulation of the aviation industry in terms of taxation, allowing the UK to compete effectively.²⁰⁴

110. The Minister pointed to the 2003 Aviation White Paper, which, he said, included a "full acknowledgement" of the importance of air freight to the economy. He appeared to recognise the concerns of the aviation industry and told us that he will undertake discussions with the Treasury in relation to Air Passenger Duty to ensure that the industry is supported.²⁰⁵

111. In 2007 total Air Passenger Duty receipts doubled to £2 billion and, from November 2009, it will be replaced by a tax payable on each flight rather than by each passenger. It is unclear how the air freight industry will be affected. **We urge the Minister to highlight the importance of UK air freight operators' competitiveness with Continental operators.**

The road haulage industry

112. The Road Haulage Association estimates that UK hauliers pay between £10,000 and £15,000 per HGV more in fuel duty than their Continental competition.²⁰⁶ The

198 DfT, *Focus on Freight*, December 2006, section 3.11

199 DfT, *Consultation on air transport policy*, 2003, para 304

200 Q 31

201 Qq 378 & 381

202 Qq 358, 359 & 381

203 Q 360

204 Q 387

205 Qq 493 & 494

206 Q 99

Government first announced that it would consider introducing a road user charge for lorries or a “*vignette*” in November 2000. The initial intention was to ensure that foreign hauliers contributed towards the costs of maintaining the UK road network, although the scheme objectives were widened to cover the congestion, noise and environmental costs of HGVs.²⁰⁷ The intention was to have a relatively sophisticated method of charging, based on distance travelled by a vehicle, its emissions category, maximum weight, the presence of a trailer, and the number of axles, as well as charges varied by the time of day and according to road type. Charges would have been administered using satellite-based technology. However, the Secretary of State announced in July 2005 that the scheme would be scrapped as a stand alone project and would be incorporated within the Government’s broader plans for national road pricing.²⁰⁸

113. While most of our witnesses agreed that it would be desirable to reduce the difference in the costs faced by domestic and Continental hauliers operating in the UK, there was no great appetite for a return to the earlier lorry road user charging proposal, which many saw as over-complicated and too expensive to operate.²⁰⁹ Professor McKinnon reminded the Committee of his long-standing proposal for a simpler, distance-based charging scheme based on annual tachograph readings but told us that the Department has shown no interest in it.²¹⁰

114. The situation for UK hauliers could further deteriorate if the European Union is successful in its attempts fully to remove restrictions on freight transport operations carried out within one Member State by hauliers from another EU country (*cabotage*) by 2014. The Government succeeded in reaching a compromise at the EU Transport Council in June and some control over the operation of foreign lorries has been retained for the time being.²¹¹ However, so long as costs for UK operators remain higher than those for their Continental competitors, further liberalisation of *cabotage* restrictions will remain a concern.²¹²

115. The Minister insisted that a considerable amount of work had been undertaken and that the Department’s analysis of options for a return to the *vignette* proposal was almost complete.²¹³ However, the 2008 Budget included an announcement that the Government would not be pursuing a *vignette* scheme. It was said that such a scheme would “produce limited safety, congestion and environmental benefits.”²¹⁴ The DfT’s Freight Data Feasibility Study (published in April 2008) also concluded that there would in any case be a significant risk associated with the interpretation of the EC’s Eurovignette Directive and the principles of state aid.²¹⁵ The Government considers that an additional £24 million for VOSA (the

207 HM Treasury, *Pre-budget report*, November 2000, para 6.69 and HMT, HMRC, DfT, *Modernising the taxation of the haulage industry*, May 2003

208 HC Deb 5 July 2005, c173

209 Q 20

210 Q 26

211 See <http://www.euractiv.com/en/transport/eu-ministers-clinch-deal-road-cabotage/article-173368>.

212 Q 69

213 Q 481

214 HM Treasury, *Budget 2008*, 12 March 2008, para 3.44

215 Department for Transport, *Freight data feasibility study – Final report*, April 2008, para 1.5

Vehicle and Operator Services Agency) for enforcement “is a better option to protect road users in the UK.”²¹⁶

116. It is patently unfair that UK hauliers continue to subsidise their Continental competitors through high levels of taxation on fuel, eight years after the Government announced proposals to address this problem. The rising cost of oil and the threat of the liberalisation of European *cabotage* legislation mean that the problem is set to get significantly worse. We are astonished that work on a *vignette* scheme has been abandoned with no recognition of the need for an alternative. We note that potential problems connected with European directives or state aid rules seem to have been overcome by other Member States including Germany, Austria, the Czech Republic, Hungary and Slovakia, all of which have implemented or are implementing lorry road user charging schemes. The Government should discuss a way forward with the industry.

117. Although the announcement of £24 million to assist VOSA with enforcement is welcome, it does not address this distortion of fair competition between European freight operators.

118. Enforcement against foreign-registered vehicles is another long-running saga for the UK road haulage industry. The Institution of Highways and Transportation described a situation where many enter the UK overladen and/or driven by drivers who may not be following working time directives.²¹⁷ The Road Haulage Association told us that, although a range of penalties are available for UK drivers and operators, foreign drivers and operators are rarely prosecuted.²¹⁸

119. Witnesses believe that the problem should be addressed through a combination of enhanced enforcement and co-operation with the relevant governments, and that proper enforcement against foreign registered vehicles would result in significant safety improvements for all road users.²¹⁹ The British Ports Association suggests that enforcement should also take place before lorries reach this country because of “serious problems with some of the standards of the lorries [from other EU Member States, including the Republic of Ireland].”²²⁰

120. The Freight Transport Association has welcomed the potential introduction of the Graduated Fixed Penalty and Deposit Scheme, which should increase the opportunity for the application of sanctions for unsafe vehicles.²²¹ Crucially, the graduated fixed penalty legislation will allow VOSA officers to issue penalties at the roadside for offences such as overloading, exceeding allowable driving hours and vehicle unroadworthiness. However,

216 HC Deb 3 June 2008 c 635

217 Q 4

218 Q 77

219 For example, Ev 119 and Qq 5 & 122.

220 Qq 212–214

221 Ev 175

there is concern that the timetable for the introduction of the legislation, which first went to public consultation in 2004, is still slipping.²²²

121. The Minister explained that there were considerable legal and practical obstacles to overcome before the graduated fixed penalty legislation can be introduced. He estimated that the scheme might be up and running by early 2009, which would represent a significant delay in comparison with the original timetable. He also outlined the other measures that the Government is taking: extra funding and equipment for VOSA and exchanges of information with other European governments.²²³ He also assured the Committee that the Government was involved in “joined-up activity behind the scenes” to ensure that the police forces were in a position to assist VOSA in their efforts to improve safety standards. He believes that a “stronger culture” is emerging within the Police in relation to tackling road traffic offences and explained the Home Office is to introduce road traffic offences into Forces’ reporting and assessment structures.²²⁴

122. We are pleased that the Government recognises the lack of successful enforcement against sometimes unsafe foreign registered vehicles as a problem. The Graduated Fixed Penalty and Deposit Scheme and enhanced enforcement by officers from VOSA and the Police should eventually improve the situation. The delay to the introduction of the Scheme is, however, lamentable and we see no evidence that there will not be further set backs. The Government must be seen to be making progress and the Committee urges the Government to publish a detailed timetable of the necessary steps to implementation in 2009.

222 Ev 123 and Q70

223 Q 484

224 Qq 485 & 486

7 Conclusion

123. The effects of freight transport are wide-ranging and ever-present; with rising levels of congestion and environmental concern, the imperative to reduce them, and the potential benefit of doing so, has never been greater. But, with the exception of its notably successful involvement in road haulage best practice, the Government believes the market will provide all the solutions. This is not acceptable. We believe that Government should be more proactive: it should provide strategic direction, it should develop an aspiration for the future of the freight sector, and it should use the tools it has available to bring that about. A renewed freight strategy is overdue.

124. The Government's attitude to freight transport is characterised by an apparent recognition of the issues but an unwillingness or an inability to address them. Network Rail's continuing poor service to rail freight operators and the long-standing difficulties faced by UK road hauliers in competing with Continental firms are two examples of this.

125. It is now urgent for the Government to produce a environmentally aware and business friendly freight strategy that assists the national and regional economies.

List of recommendations

The Government's approach to freight transport

1. The transport of freight has wide-ranging effects on individual businesses, the national economy, the transport network, and the environment. We are not persuaded that the Department for Transport's "hands-off" approach is the right one. There are significant economic and transport benefits that could be gained from a more active Government freight strategy. The Government must not shirk this responsibility. (Paragraph 11)
2. We have previously recommended that the Department should produce a national freight plan, which would be valuable in setting out the Government's vision for the future of the freight transport sector. Important choices involving trade-offs between interested parties need to be made by the Government; its approach to such choices, as well as a description of the kind of freight transport industry that the Government would like to see in the future, should be brought together in a strategy document which should reflect regional and national needs. We recommend that the Government set out its aspirations for freight transport, including its potential contribution to reductions in congestion and transport emissions, likely requirements for and location of freight infrastructure and jobs, and the kinds of technology of which the freight sector might make use in the future. This information would also increase the confidence of those considering investing in freight infrastructure. (Paragraph 12)

The Government's contribution to investment in infrastructure

3. Given the growing imperative for sustainable distribution, we recommend that the Department does not reduce its funding to support it, especially given the relatively small amount in question and the Fund's apparent success. In fact, we believe that there are good arguments in favour of increasing the scale of public money available for freight transport infrastructure given the importance of the sector to the national economy. (Paragraph 21)
4. Rail and water freight must be able to compete on an equal footing. Through discussions with the European Commission on its interpretation of the State Aid rules, the Government should seek to resolve the current inconsistencies in access to the Sustainable Development Fund between rail and water freight operators. If objective of the Fund is to reduce the number of lorry miles then each of the non-road modes should be treated on the same basis. (Paragraph 23)
5. We commend the Government for committing to investments in freight-orientated infrastructure enhancements through the Transport Innovation Fund and urge it to continue to do so. It should seriously consider the scale of potential benefits that could accrue as a result of further investment in inland connections to ports. As well as looking to relieve the delays that result from bottlenecks, the Government must be mindful of the ability of UK ports to compete with their European neighbours, many

of which are afforded a significant advantage through the state provision of inland connections. (Paragraph 33)

6. The Government claims to recognise a growing need to improve inland connections to ports so we are disappointed that the related “substantive statement” has not yet materialised. We urge the Government to make a public statement on this as soon as possible. The criteria whereby decisions on funding will be made and the likely balance between public and private contributions should be explicit in order to give potential investors as much certainty as possible. (Paragraph 34)

Capturing the costs of freight transport and facilitating modal shift

7. The Government should publish a strategy setting out its approach in relation to capturing the external costs of transport. It should also look to reduce transport’s environmental cost by investing more in environmentally beneficial technologies across all modes. (Paragraph 40)
8. The Government should also identify how it will address current anomalies in the costs incurred by UK and Continental hauliers. (Paragraph 41)
9. We welcome the publication of the long-awaited report in relation to the introduction of longer, heavier vehicles and are pleased that the Government has chosen not to pursue their introduction. Options to bring about enhanced efficiency in the road haulage industry should continue to be explored. (Paragraph 48)
10. We support the Government’s efforts to secure the inclusion of aviation in the EU Emissions Trading Scheme, although we are concerned that progress towards finalising a detailed proposal appears to be slow. As well as continuing in its attempts with Member States to achieve a conclusion to this progress, we call on the Government to publish a clear timetable showing when it is anticipated. The Government must have regard for the need for UK airports to remain competitive with European air freight hubs, such as Brussels and Paris. (Paragraph 52)
11. We are pleased that the Government is working with the rail freight industry to develop a blueprint for its Strategic Freight Network, but concerned that the money identified so far will not be enough to achieve the kind of improvements that will be required. We shall be interested to examine the finalised list of proposed improvements to be paid for with the £200 million that has so far been committed. We urge the Government to ensure that the Strategic Freight Network provides the impetus and a strategic justification for decisions to be taken in the long term interest of the railway network, such as safeguarding potentially valuable disused routes (Paragraph 62)
12. While Network Rail might aspire to improve the service it offers to its freight customers, it does not appear to have much of an idea of how to go about doing so. We recommend that Network Rail, following its discussions with freight operators, publish a strategy for improving performance for freight. This should be given the same urgency as proposals relating to passengers. (Paragraph 66)

13. The Department itself, and not just the ORR, must make an effort to hold Network Rail to account for poor performance and use its influence and expertise in an attempt to improve the situation. We hope that Track Access Charges in Control Period 4 are towards to the lower end of the Office of Rail Regulation's anticipated range of £41 to 99 million. Prohibitive Track Access Charges could seriously hamper the move to shift freight off the roads and onto rail. (Paragraph 67)
14. We are pleased that the Government intends to include a coastal shipping target in the forthcoming National Planning Policy Statement on ports. But we believe that it could do more to encourage waterborne freight transport, particularly by offering strategic direction similar to that which is developing for rail freight. We are wholly unconvinced by British Waterways' argument that it simply does not matter which Department has responsibility for the inland waterway network; if the inland waterways are to be taken seriously as part of the strategic transport network, then the DfT should have responsibility for them. (Paragraph 75)
15. The Government should adopt more urgency in its discussions with the Commission on coastal shipping so that it will be able to offer funding to the short sea operators where there is an environmental benefit as a result of reductions in lorry miles. (Paragraph 76)

Balancing the needs of the freight industry and wishes of the wider public

16. We are pleased that Network Rail are talking to the industry about the respective priorities of passengers and freight, and that a reasonable working relationship appears to exist. Network Rail must progress its thinking in relation to providing reliable capacity for freight, even in the event of network disruption. Network Rail must recognise the importance of freight instead of treating it as the poor relation of passenger services. Operators should be able to see a clear link between the Track Access Charges that they pay and the service that they receive. (Paragraph 82)
17. Freight must not be undervalued. The need for high profile and much needed improvements for passengers must not sideline the importance of schemes designed to improve the efficiency of freight transport. Upgrades that will benefit freight must not disappear from consideration. Studies into the possibility of high speed and upgraded rail must include an assessment of the benefits of freeing up existing capacity for freight. Similarly, the potential for increased capacity for passenger services should be given due consideration in relation to proposals for a dedicated freight line. (Paragraph 83)
18. While out of hours deliveries must not be allowed to cause unacceptable disturbance to residents, best practice and an increasing imperative to reduce peak congestion in urban areas mean that relaxations of blanket delivery bans should now be seriously considered, where appropriate. The Government has been praised for its Freight Best Practice scheme, which is encouraging among other things the development of quieter equipment, and Freight Quality Partnerships are increasingly facilitating productive communication between freight operators, businesses and local residents. But we are concerned that instances where local agreements have been successfully

negotiated are still relatively rare and progress towards wider adoption of noise restrictions, rather than delivery bans, appears to be slow. (Paragraph 90)

19. It is clear that the UK's geography will encourage growth in demand for ports capacity in the Greater South East area. But the Government must be careful not to intensify that tendency by distorting the market with its decisions relating to inland access and planning. It should realise that supporting port infrastructure in the regions assists regional regeneration as well as the national interest. We are not convinced, for instance, that in allocating a large proportion of the Productivity Transport Innovation Fund to schemes in the South the Government has taken the full range of costs and benefits—including regeneration, employment and potential environmental gains from modal shift—into account. It is worrying that the Department does not seem willing to consider the implications of its decisions for regeneration. (Paragraph 98)
20. The policy of making an ever-greater investment in infrastructure to cope with demand in the South East, although it might temporarily mitigate the congestion caused by an insatiable demand for new capacity, is not sustainable. In fact, it looks remarkably like the old “predict and provide” policy for road capacity. Without directly intervening in the market, the Government has the ability to effect changes to the relative viability of operators' options. It has embraced the idea that, if the freight industry is left entirely to the market, a system resulting in the perfect, most efficient transportation of freight will emerge. However, that approach ignores other priorities, such as regeneration, employment, the wealth gap or the environment. The Government should not be a helpless bystander. (Paragraph 99)
21. The Government must engage with European schemes to ensure that UK business is not disadvantaged. It must do all it can to help the UK freight industry take full advantage of such initiatives. (Paragraph 104)
22. The Government should recognise the problems that are created for UK ports by its failure to engage. Like the other European freight initiatives, the UK Government must do what it can to help UK ports attract European money in order that our industry can compete with the big Continental ports. Efforts should also continue to be made in attempting to reduce the subsidy of ports where it is against free-market regulations. (Paragraph 107)
23. We urge the Minister to highlight the importance of UK air freight operators' competitiveness with Continental operators. (Paragraph 111)
24. It is patently unfair that UK hauliers continue to subsidise their Continental competitors through high levels of taxation on fuel, eight years after the Government announced proposals to address this problem. The rising cost of oil and the threat of the liberalisation of European *cabotage* legislation mean that the problem is set to get significantly worse. We are astonished that work on a vignette scheme has been abandoned with no recognition of the need for an alternative. We note that potential problems connected with European directives or state aid rules seem to have been overcome by other Member States including Germany, Austria, the Czech Republic, Hungary and Slovakia, all of which have implemented or are implementing lorry

road user charging schemes. The Government should discuss a way forward with the industry. (Paragraph 116)

25. Although the announcement of £24 million to assist VOSA with enforcement is welcome, it does not address this distortion of fair competition between European freight operators. (Paragraph 117)
26. We are pleased that the Government recognises the lack of successful enforcement against sometimes unsafe foreign registered vehicles as a problem. The Graduated Fixed Penalty and Deposit Scheme and enhanced enforcement by officers from VOSA and the Police should eventually improve the situation. The delay to the introduction of the Scheme is, however, lamentable and we see no evidence that there will not be further set backs. The Government must be seen to be making progress and the Committee urges the Government to publish a detailed timetable of the necessary steps to implementation in 2009. (Paragraph 122)

Conclusion

27. The effects of freight transport are wide-ranging and ever-present; with rising levels of congestion and environmental concern, the imperative to reduce them, and the potential benefit of doing so, has never been greater. But, with the exception of its notably successful involvement in road haulage best practice, the Government believes the market will provide all the solutions. This is not acceptable. We believe that Government should be more proactive: it should provide strategic direction, it should develop an aspiration for the future of the freight sector, and it should use the tools it has available to bring that about. A renewed freight strategy is overdue. (Paragraph 123)
28. The Government's attitude to freight transport is characterised by an apparent recognition of the issues but an unwillingness or an inability to address them. Network Rail's continuing poor service to rail freight operators and the long-standing difficulties faced by UK road hauliers in competing with Continental firms are two examples of this. (Paragraph 124)
29. It is now urgent for the Government to produce a environmentally aware and business friendly freight strategy that assists the national and regional economies. (Paragraph 125)

Formal Minutes

Wednesday 9 July 2008

Members present:

Mrs Louise Ellman, in the Chair

Mr Philip Hollobone

Mr Lee Scott

Mr John Leech

Mr Graham Stringer

Mr Eric Martlew

Draft Report (*Freight Transport*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 125 read and agreed to.

Resolved, That the Report be the Eighth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Wednesday 16 July at 2.30 pm.]

Witnesses

Wednesday 16 January 2008	<i>Page</i>
John Chaplin , Member of ICE Maritime Panel, Institution of Civil Engineers (ICE), Mike Slinn , President, The Institution of Highways and Transportation, Professor Alan McKinnon , Director, Logistics Research Centre, Heriot-Watt University, John Edwards , Chief Executive of Advantage West Midlands, English Regional Development Agencies	Ev 1
James Hookham , Managing Director of Policy and Communications, Chris Welsh , General Manager, Campaigns, Freight Transport Association, Sharon Davies , Director of Corporate Affairs, DHL, Association of International Couriers and Express Services, Roger King , Chief Executive, Jack Semple , Director of Policy Road Haulage Association	Ev 8
Bob Crow , General Secretary, National Union of Rail, Maritime and Transport Workers (RMT), Andrew Linington , Head of Campaigns & Communications, Nautilus UK, Dave Williams , Chair, National Committee, Road Transport – Commercial, Unite the Union	Ev 14
Wednesday 6 February 2008	<i>Page</i>
Martyn Pellew , Group Development Director, PD Ports Ltd, Frank Robotham , Group Marketing Director, Peel Ports, David Whitehead , Director, British Ports Association, Richard Bird , Executive Director, UK Major Ports Group	Ev 22
Paul Plummer , Director, Planning & Regulation, Barbara Barnes , Head of Customer Service, Network Rail, Lindsay Durham , Head of Rail Strategy at Freightliner, Freight on Rail, Graham Smith , Planning Director, English, Welsh and Scottish Railway Ltd	Ev 31
Simon Salem , Marketing and Customer Service Director, British Waterways, Mike Garratt , Acting Chairman, Sea and Water, James Trimmer , Head of Planning and Partnerships, Port of London Authority, John Spencer , Managing Director, GPS Marine Contractors Ltd	Ev 38
Wednesday 27 February 2008	<i>Page</i>
Helen Watson , Head of Economic Policy and International Aviation, Economic Regulation Group, Graham French , Manager, Air Transport Statistics, Economic Regulation Group, Civil Aviation Authority, Dr Jonathan Bailey , Director of External Affairs, Geoff Muirhead CBE , Group Chief Executive, Manchester Airports Group	Ev 46
Tim Ingleton , Head of Regeneration, Councillor Paul Watkins , Leader of Dover District Council, Dover District Council, David Sheppard , Deputy Head of Transport, John Lewis Partnership, Central London Freight Quality Partnership	Ev 52
Jim Fitzpatrick MP , Parliamentary Under-Secretary of State, Stephen Fidler , Divisional Manager Freight & Logistics, Department for Transport	Ev 58

List of written evidence

1	London Councils Transport and Environment Committee	Ev 67
2	Freight Service and Development Committee of Railfuture	Ev 71
3	Department for Transport	Ev 73, 78
4	English Welsh & Scottish Railway Ltd	Ev 79
5	Port of London Authority	Ev 84
6	The National Union of Rail, Maritime and Transport Workers (RMT)	Ev 86
7	Freightliner Group Ltd	Ev 88
8	Network Rail	Ev 95
9	DHL Express (UK) Limited	Ev 101
10	Institution of Civil Engineers (ICE)	Ev 105
11	South East England Development Agency (SEEDA)	Ev 109
12	Railfreight Interchange Investment Group (RIIG)	Ev 113
13	PD Ports Limited	Ev 116
14	Institution of Highways Transportation (IHT)	Ev 118
15	Road Haulage Association (RHA)	Ev 120, 123
16	United Kingdom Major Ports Group (UKMPG)	Ev 124
17	Peel Ports	Ev 125
18	Transport for London (TfL)	Ev 128
19	The Northern Way	Ev 131
20	Channel Corridor Partnership (CCP)	Ev 135
21	Inland Waterways Association	Ev 138
22	Dover District Council	Ev 140
23	Wynns Group	Ev 142
24	GPS Marine Contractors Ltd	Ev 145
25	Association of International Courier and Express Services (AICES)	Ev 147
26	Manchester Airports Group Plc (MAG)	Ev 149
27	Civil Aviation Authority (CAA)	Ev 151
28	Office of Rail Regulation (ORR)	Ev 156
29	Mott MacDonald Ltd	Ev 158
30	Rail Safety and Standards Board (RSSB)	Ev 159
31	Freight on Rail	Ev 162
32	Rail Freight Group (RFG)	Ev 166
33	Freight Transport Association (FTA)	Ev 169
34	North East Combined Transport Activists' Roundtable (NECTAR)	Ev 176
35	Professor Alan McKinnon	Ev 178
36	Sea and Water	Ev 179
37	British Waterways	Ev 181
38	English Regional Development Agencies	Ev 183, 188
39	Central London Freight Quality Partnership	Ev 188
40	Nautilus UK	Ev 190
41	Faber Maunsell	Ev 193
42	Kelvin Hopkins MP for and on behalf of: Andy Berry, Tim Brown, Ken Russell	Ev 203
43	British Ports Association (BPA)	Ev 207
44	Unite the Union	Ev 208

List of unprinted evidence

The following memoranda have been reported to the House, but to save printing costs they have not been printed and copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Parliamentary Archives, and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A 0PW (tel. 020 7219 3074). Opening hours are from 9.30 am to 5.00 pm on Mondays to Fridays.

Ev 203 from Kelvin Hopkins MP – maps which accompanied the memorandum

List of Reports from the Committee during the current Parliament

Session 2007–08

First Report	Galileo: Recent Developments	HC 53
Second Report	The London Underground and the Public-Private Partnership Agreements	HC 45
Third Report	Work of the Committee in 2007	HC 248
Fourth Report	The future of BAA	HC 119
Fifth Report	Ticketing and Concessionary Travel on Public Transport	HC 84
Sixth Report	The Blue Badge Scheme	HC 475
Seventh Report	Department for Transport Annual Report 2007	HC 313
Eighth Report	Freight Transport	HC 249
First Special Report	Galileo: Recent Developments: Government Response to the Committee's First Report of Session 2007–08	HC 283
Second Special Report	The London Underground and the Public–Private Partnership Agreements: Government Response to the Committee's Second Report of Session 2007–08	HC 461
Third Special Report	The future of BAA: Government Response to the Committee's Fourth Report of Session 2007–08	HC 569
Fourth Special Report	Ticketing and Concessionary Travel on Public Transport: Government Response to the Committee's Fifth Report of Session 2007–08	HC 708

Session 2006–07

First Report	Work of the Committee in 2005–06	HC 226
Second Report	The Ports Industry in England and Wales	HC 61-I & 61-II
Third Report	Transport for the London 2012 Olympic and Paralympic Games: The Draft Transport Plan	HC 199
Fourth Report	Department for Transport Annual Report 2006	HC 95
Fifth Report	The Government's Motorcycling Strategy	HC 264
Sixth Report	The new National Boatmasters' Licence	HC 320-I & 320-II
Seventh Report	Novice Drivers	HC 355-I & 355-II
Eighth Report	Passengers' Experiences of Air Travel	HC 435-I & 435-II
Ninth Report	The draft Local Transport Bill and the Transport Innovation Fund	HC 692-I & 692-II
First Special Report	Passenger Rail Franchising: Government Response to the Committee's Fourteenth Report of Session 2005–06	HC 265
Second Special	Roads Policing and Technology: Getting the	HC 290

Report	right balance: Government Response to the Committee's Tenth Report of Session 2005–06	
Third Special Report	Bus services across the UK: Government Response to the Committee's Eleventh Report of Session 2005–06	HC 298
Fourth Special Report	Local Transport Planning and Funding: Government Response to the Committee's Twelfth Report of Session 2005–06	HC 334
Fifth Special Report	The work of the Civil Aviation Authority: Government Response to the Committee's Thirteenth Report of Session 2005–06	HC 371
Sixth Special Report	Transport for the London 2012 Olympic and Paralympic Games: The Draft Transport Plan: Olympic Delivery Authority Response to the Committee's Third Report of Session 2006–07	HC 484
Seventh Special Report	Department for Transport Annual Report 2006: Government Response to the Committee's Fourth Report of Session 2006–07	HC 485
Eighth Special Report	The Government's Motorcycling Strategy: Government Response to the Committee's Fifth Report of Session 2006–07	HC 698
Ninth Special Report	The Ports Industry in England and Wales: Government Response to the Committee's Second Report of Session 2006–07	HC 954

Oral evidence

Taken before the Transport Committee

on Wednesday 16 January 2008

Members present

Mrs Gwyneth Dunwoody, in the Chair

Mr David Clelland
Clive Efford
Mrs Louise Ellman
Mr Philip Hollobone

Mr John Leech
Mr Eric Martlew
David Simpson
Graham Stringer

Witnesses: **Mr John Chaplin**, Member of ICE Maritime Panel; **Mr Mike Slinn**, President, Institution of Highways and Transportation; **Professor Alan McKinnon**, Director, Logistics Research Centre, Heriot-Watt University; and **Mr John Edwards**, Chief Executive of Advantage West Midlands, gave evidence.

Chairman: We have one little bit of housekeeping, if you will forgive us: members having an interest to declare.

Clive Efford: Member of Unite.

Mr Martlew: Member of Unite and GMB unions.

Mr Clelland: Member of Unite.

Graham Stringer: Member of Unite.

Chairman: Gwyneth Dunwoody, member of Aslef.

Mrs Ellman: Member of Unite.

Q1 Chairman: Welcome this afternoon, gentlemen. It is very nice to see you. I will first ask you to identify yourself for the record. Would you be kind enough to tell us who you are?

Mr Chaplin: My name is John Chaplin and I am here representing the Institution of Civil Engineers.

Professor McKinnon: I am Alan McKinnon from Heriot-Watt University, where we have a research centre specialising in freight and logistics.

Mr Slinn: I am Mike Slinn. I am President of the Institution of Highways and Transportation.

Mr Edwards: I am John Edwards. I am Chief Executive of Advantage West Midlands and I am representing England's nine Regional Development Agencies.

Q2 Chairman: Did anybody have anything they wanted to say briefly before we start? No? In which case, let me ask you if the Government's approach to freight, that it is basically the business of the private sector, is an appropriate one.

Professor McKinnon: No. I think there is a need for public intervention in the freight sector. There are a number of policy levers that the Government can pull and it is pulling most of them at the moment: some more effectively than others. I think that the Department for Transport has been quite effective over the past ten years in developing its sustainable distribution strategy, for example. On the other hand, there are a few negative things you could say about the way the Government manages transport matters.

Q3 Chairman: Tell us some of the pros and cons of an entirely market-driven freight sector over public control.

Professor McKinnon: I think that, to make our freight system more environmentally sustainable, there is a need for government intervention to incentivise best practice, in terms of fuel efficiency for example. I do not think that the market would deliver a system which would reduce carbon, for example, in the longer term.

Q4 Chairman: Mr Slinn, you look like you might have something to say on this.

Mr Slinn: Yes, I agree with that. I would also add safety as a major consideration; not only improving the safety of our existing UK-based fleet, but thinking also about foreign operators. Many of their vehicles come in overladen or heavily laden. Also, their drivers may not be following working directives.

Q5 Chairman: You are saying that therefore you would need strong government regulation. Because, playing devil's advocate, if you are running an entirely private industry, if Parliament passed certain safety laws, you will have to comply with them and it is a question of enforcement, rather than the ownership of the industry.

Mr Slinn: Yes, there is an enforcement issue, but there is also the issue of co-operating with foreign governments, when we are thinking about foreign drivers, passing information between governments on the behaviour of individual drivers and freight operating companies.

Q6 Chairman: Does the Government have a coherent view, Mr Chaplin, of the future of freight transport?

Mr Chaplin: I believe they do. The Institution is concerned that the information needs to be extensive and up to date in relation to freight in particular; but certainly we support delivering a sustainable railway and the proposals for a strategic freight network.

Q7 Mrs Ellman: Professor McKinnon, you did indicate that you did not think this should be left entirely to the private sector. Do you think that the Government should pay for infrastructure leading to ports?

16 January 2008 Mr John Chaplin, Mr Mike Slinn, Professor Alan McKinnon and Mr John Edwards

Professor McKinnon: Yes, I do. There are a number of things that I think the Government ought to do. One is to invest in infrastructure; another is, through the use of grants, to incentivise greater use of alternative modes, for example.

Q8 Chairman: We are getting a little confidential again, Professor.

Professor McKinnon: I am sorry?

Q9 Chairman: A little bit more voice?

Professor McKinnon: Of course, I am sorry. I usually speak to thousands of students, so I will try harder.

Q10 Chairman: I cannot imagine that one would treat students as gently as that! Obviously things have moved on since my day.

Professor McKinnon: I firmly believe that it is the role of government to provide infrastructure, certainly both road and rail infrastructure. I think that the Government could also do more to invest in port infrastructure in the UK, for example. There is no doubt in my mind that we should not be adopting a laissez-faire approach to freight. I think that there is need for strong government intervention.

Q11 Mrs Ellman: Are there any examples where government failure to support infrastructure has led to ports not developing their full potential?

Mr Edwards: I am not aware of governments not investing in links to ports. What we are seeing, for example if we look at Hutchison Ports, is a massive contribution to the road and rail links into the redevelopment of Felixstowe. The private sector is being asked to make a significant contribution as operators to the development of off-site infrastructure or off-port infrastructure to connect their port to both road and rail. However, I think that we have to be realistic and look at the amount of government investment available to support investment in road infrastructure, and we have to look at alternative methods to raise the necessary capital to improve infrastructure; because undoubtedly, if we do not, it is a significant barrier to sustainable economic growth. It is partially about the investment the Government makes in being clear about the priorities and where the investment should go, then looking at innovative ways of raising additional funding also to improve access, because I think it is unrealistic to expect the public purse to meet all the costs.

Q12 Mrs Ellman: If you put to one side what you might think is unrealistic for a moment and stick in this inquiry to what could be done to make things better, do you think the Government should contribute to rail more, in promoting rail developments—links to ports and interchanges? Could the Government be more active?

Mr Edwards: We have seen a significant investment in the last ten years in modal shift from road to rail. However, if you look at it in terms of the proportion of freight that is shifted, it has not moved dramatically, in terms of tonnes per kilometre. Freight is moving greater distances. We are seeing a

shift from road to rail, but rail capacity is limited and, even with the rail freight gauge upgrades that we are seeing from Southampton to the Midlands, from Felixstowe to the Midlands, in five to ten years—even with those rail freight gauge upgrades—the network is going to be at capacity. At that point, you have to look at putting in additional rail infrastructure. The decision has to be made whether investment should go into rail at the expense of into road or whether we need to raise the quantum of expenditure into the whole of road and rail infrastructure. I think that we need to look at the latter. It will be difficult to make a decision about arbitrary shifts between road and rail.

Q13 Mrs Ellman: The examples you have given are all to do with the South. What about northern ports? Do you not feel that there is a need for more government support to develop infrastructure to increase the business of the northern ports?

Mr Edwards: You are seeing, through the Northern Way, the three Northern Regional Development Agencies working together about increasing the links between the east and west coast ports in the north of England and then, progressively, improving links between the North and the South. There is a need for investment in improving ports, but that is only part of the equation. You then have to look at how you improve and enhance investment in linking ports to centres of economic growth and development.

Q14 Mrs Ellman: Do you feel that the Government is sufficiently active in doing that in relation to the northern regions?

Mr Edwards: I think that the Government is very active in doing that in relationship to the northern regions. It is whether the quantum of investment is there, necessary to make the improvements that are required.

Q15 Mrs Ellman: Does anybody have any views on where government could improve its performance in developing ports, in relation to infrastructure?

Mr Slinn: I think, following what Sir Rod Eddington recommended—that there be investment in infrastructure to serve seaports. That is very much looking at both road and rail infrastructure, so that the whole national and indeed the regional economies can benefit from the investments in ports that are made by private investors.

Q16 Mrs Ellman: A significant increase in freight is predicted. Do we have the infrastructure to deal with that?

Mr Slinn: No.

Professor McKinnon: It depends how you define “freight”. Across the board, we are currently seeing a decoupling of the growth of freight traffic from economic growth in general, certainly in the road freight sector. Freight traffic is not growing anything like as much as it was in earlier decades; the exception being port traffic, because of a big influx of deep-sea container traffic coming into the country. So there are some parts of the freight

16 January 2008 Mr John Chaplin, Mr Mike Slinn, Professor Alan McKinnon and Mr John Edwards

market where we are seeing that growth but, across the country as a whole, I would argue—to use a technical term—that the freight intensity of the UK economy is actually declining at the moment. We are not generating so much freight relative to GDP as we were in the past.

Q17 Chairman: Do you have a reason for that? Is that congestion? Is that cost? After all, it is still cheaper to run lorries, is it not?

Professor McKinnon: Several reasons. I think partly because we have been de-industrialising; we are off-shoring much of our manufacturing. When the assembly plants go to other countries, with them go the upper links in the supply chain.

Q18 Chairman: It still has to be moved from wherever it is imported. If a country goes mad and imports everything, it still has to move it from the ports to the points of—

Professor McKinnon: The movement is then from a port to a retailer's distribution centre. We are not getting all the upstream links that would have fed a manufacturing plant in the UK. That is one factor. The other factor is the changing composition of our economic growth, with greater emphasis on services and a decline in production industries. A billion pounds of services does not generate as much freight traffic as a billion pounds of manufacturing. So there are several factors contributing to this trend. However, it is quite evident from observing the statistics for economic growth and for freight transport that this decoupling has occurred.

Q19 Mrs Ellman: Is the Sustainable Development Fund effective?

Professor McKinnon: I would have said yes. I think that the Government has pioneered a whole area of sustainable distribution over the past ten years. There are not many governments in the world, I think, that have been quite so clever in the way they have done this. A whole spread of measures: encouraging best practice; benchmarking; advisory programmes; incentives for the use of alternative modes. On the whole, therefore, I am very positive about what they have done in terms of sustainable distribution.

Q20 Clive Efford: Should the Government return to the idea of a Lorry Road User charging policy?

Professor McKinnon: I was heavily involved in the debate last time round. I think that it depends what sort of LRUC system you opt for. I would not want us simply to resurrect the system that we had before. I think that we have to be very clear about what the objectives of an LRUC scheme should be. Last time, the declared objective was to level the playing field with foreign operators. It was a revenue-neutral system. Maybe, if we were to do it again, we would have to think about other objectives; maybe using it for congestion charging possibly. The LRUC system last time round, it seems to me, was too complicated; it was over-specified; maybe too expensive; and I would strongly counsel against simply trying to repeat that experience.

Mr Slinn: I would just add that it is a very heavy hammer to crack the nut of providing a level playing field. Can we not find alternatives, albeit maybe EU laws make it difficult to find alternatives? For example, taxing fuel coming in on lorries through ports or limiting the amount of fuel that can be brought in in lorries would create a more level playing field. However, in terms of road pricing *per se*, yes, I think there is a strong case for road pricing on congested roads for all vehicles.

Q21 Clive Efford: For *all* vehicles?

Mr Slinn: Yes.

Q22 Clive Efford: Not just for lorries?

Mr Slinn: Yes.

Q23 Clive Efford: Are you suggesting that there is not a specific scheme for charging lorries for the number of miles they do on roads, up and down the country?

Mr Slinn: What I am suggesting is that there is a strong case for road pricing of all vehicles and lorries would benefit. Being higher priority or higher value vehicles, they should benefit from such a road pricing initiative.

Q24 Clive Efford: The main issue would be to create a level playing field; that is, lorries coming from abroad that do not pay so much excise duty on fuel and that can undercut indigenous businesses. You would suggest that some fiscal policy of addressing that at the ports is the best way forward?

Mr Slinn: If it were practical, then that could potentially be a much cheaper way of achieving the objective, rather than introducing lorry road charging across the whole country.

Q25 Clive Efford: Are there other ways by which we might be capable of ensuring that more of the external costs of road haulage are covered, such as congestion or emissions or charging operators?

Mr Slinn: I have mentioned enforcement. If there was a greater effort placed on enforcement, then there would be fewer overloaded trucks coming into the country.

Clive Efford: Are there any other schemes around that you are aware of that we might learn something from? The German charging scheme? No?

Q26 Chairman: We cannot actually record shaking heads, gentlemen!

Professor McKinnon: Could I perhaps answer that question? The last time I appeared before the Committee some years ago, I advocated an alternative to LRUC: a low-tech system, which would have allowed us to level the playing field with foreign operators and correct the fuel duty anomaly. That remains on the table. The Department for Transport have shown no interest in it. There is an alternative scheme available, therefore. You mention the German Toll Collect system. That has now been operating for two years very effectively. The industry has accepted it; it is raising the revenue that was expected; it has promoted diversion of

traffic to rail; better load factors; empty running. So it is a successful scheme. However, it was designed to achieve a different set of objectives. Its purpose is to raise revenue for road construction and road maintenance. The scheme that was proposed for the UK was to be revenue-neutral, generating no extra revenue, and merely aiming to close the gap in fuel duty.

Q27 Clive Efford: Is that the flaw in this system that the Government tried to introduce, the fact that they tried to keep in revenue-neutral, or was that something you felt was reasonable and achievable?

Professor McKinnon: It was partly that. It was also partly muddle over what the objectives were. I think latterly they decided they would like to use it as a trial for congestion charging, so you would then have to vary the tolls by time of day and by road type. It was to apply to all roads. The German Toll Collect scheme only applies to *Autobahn*.

Chairman: I want to get back to freight; although this is not only very interesting but very true.

Q28 Graham Stringer: Should the Government be doing more to encourage freight off the roads and out of the air on to water, for instance, or into more environmentally friendly modes of transport—like water and rail?

Mr Chaplin: I think that water has a particular role to play, but its use is limited in terms of what cargo is actually transported—the loading facilities and the offloading facilities—and clearly time is of the essence in any waterborne transport. Although clearly things are improving and there is the example where Tesco are running three cargoes every week from the port of Liverpool into Manchester, thereby avoiding a number of lorry journeys.

Q29 Graham Stringer: What should government be doing to encourage modal shift in freight—or should it be doing anything at all?

Mr Chaplin: I think that it is a case of carrots and sticks. Certainly the Institution advocates the need for road pricing and clearly, by that being a stick, there would be the opportunity for some carrots. In some way that would encourage modal shift, and water may become more of an opportunity.

Q30 Graham Stringer: Would not your carrots get more expensive if you had a non-revenue neutral lorry user charge?

Mr Chaplin: They would in that particular circumstance, but I imagine further work and study of those particular opportunities may identify particular works which could be done.

Graham Stringer: It is generally accepted that it is a good thing to move to rail and water from air and road, but does not this country suffer from the fact that the major air hubs for high-value freight are in Brussels and Paris? Would it not make more sense to have better facilities for international and intercontinental air freight?

Q31 Chairman: You are nodding, Mr Slinn.

Mr Slinn: Yes, it would be, but I would have thought that is something for the private sector to deal with. If there is a market, then they would supply and provide the infrastructure for that market.

Q32 Graham Stringer: So you think it is just a market-led policy that will come about if the demand is there, and that Paris and Brussels do not have these facilities because they have effectively bid for them and provided the right facilities out of public money?

Mr Slinn: I am not so familiar with the share that Paris and Brussels have of the UK air freight market. I imagine it is quite small. However, I do know that a large amount of the UK air freight market goes through a small number of airports—Heathrow in particular, Stansted and East Midlands. Certainly, from Scotland and the north of England, it is expensive to air-freight because the facilities—and by “facilities” I mean both the infrastructure and also the capacity on freight-carrying aircraft—are limited and expensive.

Q33 Graham Stringer: If the future of freight is going to be more rail, should the Government be doing something to protect railway lines that are no longer used, like the Woodhead Tunnel and the lines to Lewes? Is that something that would be helpful in the future for freight?

Professor McKinnon: Yes, I would agree. There are a number of things the Government are currently doing which I think they should continue to do, and perhaps even expand—the grant schemes, obviously, the Company Neutral Revenue Scheme, investment in gauge enhancement—and the measures you have suggested are something to add to that policy mix. I do not think there is any magic bullet, any revolutionary new measure that the Government are going to find to support rail. I think it is a case of trying to use a bit more intensively some of the tools that they currently have to try to get freight onto rail.

Q34 Graham Stringer: A final question to Mr Edwards. You represent all the RDAs. How much in total have the RDAs spent on encouraging freight to go by rail?

Mr Edwards: I cannot give you the exact figures. I am happy to provide those to the Committee afterwards, if that would be helpful.

Q35 Chairman: Could you give us an indication, Mr Edwards, while you are here?

Mr Edwards: I cannot, and I think that it would be wrong of me so to do. What we have done, to give some idea, is that the Northern Regions, for example, have invested about £9½ million collectively in looking at how you link the Humber ports to the East Coast Main Line. We are working with our colleagues in the South East, the east of England and the East Midlands, looking at the rail freight gauge upgrades from the Midlands to Felixstowe, and with our colleagues in the South East at the rail freight gauge upgrades to Southampton. So we are looking

16 January 2008 Mr John Chaplin, Mr Mike Slinn, Professor Alan McKinnon and Mr John Edwards

at how we can improve and enhance the carrying capacity of those particular important modes and links to ports by rail. However, I go back to the point I made in response to Mrs Ellman's point. There will come a point where, even with investing in those gauge upgrades, we will reach capacity. It is at that point you have to look at whether you provide additional capacity. However, the RDAs, collectively and individually, are investing not insignificant sums of money in developing the business case for investment in rail freight, both terminals and also connections.

Q36 Graham Stringer: Are you just developing the arguments or are you actually providing cash that will help make it financially more viable, or will actually help reopen lines or increase the gauge of lines? Is there direct cash going through RDAs into the harder side of the equation?

Mr Edwards: Perhaps I may answer that question in two parts. We are investing in producing the business case and getting projects to a point at which they are ready for construction. The one there is, as I say, the Peterborough to Nuneaton rail freight gauge enhancement where, collectively, we are investing about a million pounds in getting the project to the point at which it can actually be commissioned and deliver. That is a significant piece of rail infrastructure. We, as an RDA, are considering investing in the Telford rail freight terminal, for example, and also in rail freight terminals round Birmingham and other parts, actually to support the economic rail freight benefits that the enhanced capacity of those rail freight terminals offer the region. I suspect my colleagues elsewhere in the country have done not dissimilar things. One is investing in particular pieces of infrastructure in the region which enhance capacity, but also investing in inter-regional upgrades which will enhance the capacity of the region to transport goods, particularly to ports. However, I will provide the additional information.

Chairman: Yes, that would be helpful.

Q37 Mr Clelland: Given further investment in expansion of the railways for the sole purpose of carrying more freight, what proportion of the freight currently carried on our roads could practically be transferred to the railways?

Professor McKinnon: Can I attempt to answer that question?

Q38 Chairman: One of you, yes.

Professor McKinnon: It is very hard to give you a number

Q39 Chairman: You are all so modest. We are not used to modesty!

Professor McKinnon: The size of the rail freight market in the UK will always be constrained by the size of the country, the average length of haul, the inherent inflexibility of rail, the deep scepticism that still exists on the part of many logistics managers about using rail. I would have thought, with a propitious set of circumstances, you could perhaps

push up rail freight share from about 8 or 9% at the moment to maybe 12 or 13%, but it will always be a minority carrier specialising in particular parts of the market. Another point is how we actually measure the rail freight share. Traditionally, it has been measured by tonne kilometres or tonnes—weight-based measures. What we are seeing, however, is a contraction of rail's primary market in bulk movements of coal and steel. The railway is replacing that with lighter, manufactured products. If we continue to judge rail's share of the market purely in tonnes, then we will be deceiving ourselves. I think that we should find some alternative measure for assessing rail share which takes account of the cubic volume of the product, or maybe the value of the goods that rail transports.

Q40 Mr Clelland: We cannot expect that to bring huge relief to the congestion on our roads. Are there any other ways of looking at moving freight around the roads, perhaps by restricting the times of the day or night that freight is moved around the country?

Mr Slinn: Yes, I think that this is a strong possibility, looking at the way forward. There are a number of constraints on that, primarily curfews or regulations against night-time operation or deliveries other than at specific times of day. These have really developed over the years because of poorer operating performance of vehicles in the past. They have improved enormously. I think that, given if the industry does adopt best practice in limiting noise and light pollution, in particular for deliveries, there is a case for looking again at some of the planning permission that currently prohibits the movement of goods at night-time or at off-peak times.

Mr Hollobone: The purpose of this first evidence session is to provide the Committee with general background to issues surrounding freight transport. Since you four gentlemen have drawn the lucky straw of opening the batting, I would like to hear from each of you the answer to these three questions. What do you think would be the main differences in the UK freight transport industry in 2020, compared to now? Which countries do freight transport better than us and why? If you were given, as an individual, a five-year mandate, with all the royal prerogative powers that you needed to sort out and improve UK freight transport, what would you do?

Q41 Chairman: Before we even start on that, can I make it clear that you have probably got about 30 seconds each on one of those questions! Anything that you have not said in your evidence to us, speak up now. Mr Chaplin, you have drawn the short straw.

Mr Chaplin: In terms of 2020, there will be far more port-orientated traffic coming into the country as, inevitably, we deal with more deep-sea traffic coming both from the Far East and the Americas into the country. I am not aware of other countries that do freight any better than us and, in terms of being able to do things with a five-year mandate, on behalf of the Institution, we would introduce road pricing.

Professor McKinnon: In 2020, I would see probably similar amounts of freight on the roads as today; a marginal modal shift; probably better utilisation of freight capacity, so that the environmental footprint of freight would be significantly reduced as to what it is today. Traffic congestion is more of a problem, I think. We have not spent too much time discussing the effects of traffic congestion on logistics. That is my biggest worry. Unless we have road pricing or some enhancement of road space, I see congestion being the biggest problem we will face then from a freight standpoint. Countries that do it better? Again, it depends what criteria we judge. Other countries have less congested road infrastructure, for example, and therefore they do not incur the same logistical penalty that companies have in the UK. On the other hand, I think that very few countries in the world have been as innovative in the way they have developed environmental strategies for freight transport; maybe the Dutch would compete with us, but there are very few countries. A five-year mandate? I think that I would probably strengthen the measures to get more freight onto rail; but you could probably beef up the Freight Best Practice programme. A mixture of exhortation, carrots and sticks, to try to get companies to fill their vehicles better and to reduce empty running.

Mr Slinn: In 2020, there will be more freight coming in by sea, in larger containers. I do not think that there are any countries that are significantly better than us, given our circumstances. What would I like to see? I would like to see one thing we have not mentioned; that is, a greater awareness of the freight industry generally, particularly across the public services. In the local and regional authorities there is very little understanding of freight transport. There is very little understanding, indeed, of the relationship it has with the economy.

Q42 Chairman: Whose fault is that, Mr Slinn? Does the industry do much for itself?

Mr Slinn: I think that it is because freight has always been considered as a Cinderella of transport planning, thinking about transport planning. Transport planners and the transport industry have focused on passenger transport and we have neglected—and that is our fault—freight transport. Yet we all know that it is so fundamental to local, regional and national economies. So a greater awareness and, I think, a greater coming-together of the freight industry with authorities through, probably, Freight Quality Partnerships—which is a good medium—so that we can reach a consensus. We can get the local authorities and the regional authorities understanding what the freight industry is saying, and the freight industry understanding the constraints that the authorities work under.

Q43 Chairman: And the one thing that you would do?

Mr Slinn: I would encourage the Government to create that greater awareness through investment.

Mr Edwards: In response to the first question, I would expect a modest modal shift between now and 2020 between road and other modes of freight

movement, both rail and potentially by water as well. I cannot answer the second question because I just do not know who is better at it than we are. On the third point, I think that I would move away from a single-shot approach through road user charging to one which is looking much more at demand management of the existing infrastructure, and where we are also looking at innovative ways of raising funding to make the investments that we need to make.

Q44 Chairman: That is an interesting question, because none of you have suggested that the existing freight containers, for example—larger freight containers—could be absorbed by the existing rail network. Can the network take this increase in movement that you are talking about?

Professor McKinnon: I think that some routes are currently tightly constrained. The Felixstowe rail services do not have much excess capacity, although that may be expanded in the near future.

Q45 Mr Martlew: Gentlemen, you have succeeded in confusing me. I came here, expecting everybody to say that freight transport is going to increase considerably. I am not sure that is the case at the present time, is it? The evidence we are getting is that perhaps it will not happen. If you are talking about rail, then you are talking about bulk and you may be talking about coal. If we are talking about the phasing out of coal-fired power stations, then we are talking about actually reducing the amount of freight traffic. Are we going to have a continuing expansion in freight traffic or not?

Professor McKinnon: The standard measure of freight is the tonne kilometre and, if you look at total tonne kilometres—

Chairman: We do not want to go back over that one. You made that very clear and you did it very well.

Q46 Mr Martlew: Is it going to expand or is it not?

Professor McKinnon: You mentioned rail. Changes in energy mix, a change in the future energy policy, will affect—

Q47 Mr Martlew: That means there will be less going on the railways?

Professor McKinnon: More coal will be coming in through Teesport rather than Hunterston and therefore it will be clocking up fewer tonne kilometres on the rail network; so that will reduce freight. However, I do not want people to think that we are foreseeing a huge increase in the quantity of freight we are going to have to handle. I do not think that is the case. I think, if anything, it will stabilise.

Q48 Mr Martlew: It is not a major problem.

Professor McKinnon: No.

Mr Chaplin: In terms of clarification, clearly certain cargoes will increase, such as containers, as the UK continues to grow and rely upon more imports from the Far East, et cetera; whereas, as we have indicated, with a change in the energy mix, clearly we will reduce the number of coal trains running about the place.

16 January 2008 Mr John Chaplin, Mr Mike Slinn, Professor Alan McKinnon and Mr John Edwards

Q49 Chairman: Mr Slinn, you have taken a deep breath?

Mr Slinn: Yes. I just wanted to mention vans. There may not be a great increase in the numbers of heavy goods vehicles on our roads, but there is certainly an increase in the numbers of vans, which are not particularly well regulated—and that is an issue, of safety and also drivers' working hours and the like.

Q50 Mr Martlew: Is this because of online shopping and things like that?

Mr Slinn: Yes, the modern trend; the IT world, essentially.

Q51 Chairman: Have any of you got a view of how effective the British Government has been in promoting British interests and making sure they are reflected in the recent proposals in the European Commission? No? Then what are the impacts on the freight industry of European policies on freight?

Mr Chaplin: One of the issues, in particular in relation to ports, is clearly the Commission's port strategy, which the Institution welcomes very much. The proposals for a level playing field in terms of funding to ports are very welcome, and the need to consider both the need for ports to improve and—

Q52 Chairman: Where did you notice the bit about level funding, Mr Chaplin? I seem to have missed that.

Mr Chaplin: I could refer to my notes, but it was certainly one of the issues there.

Q53 Chairman: If you are really telling me that the European Commission is suggesting that there should be equal funding between continental ports and United Kingdom ports, I am delighted to hear it. If you have a specific reference, please give it to me.

Mr Chaplin: I will do that.

Chairman: What a kind man! Mr Leech.

Q54 Mr Leech: Do you think the prospect of heavier lorries on our roads has a negative impact in terms of moving more freight from road to rail? Do you see any potential benefits of heavier vehicles on the roads?

Professor McKinnon: We have been involved in a year-long study for the Department for Transport on that very subject. Not just heavier ones but also longer ones. The report of that project will be published within the next month, so I cannot say too much about it.

Q55 Chairman: Do not tantalise us, Professor! Tell us a little.

Professor McKinnon: Okay. We have not just looked at the possibility of raising weights; it is also lengthening the vehicles. We have looked at seven different scenarios, going from a slightly longer vehicle to one which is 34 metres long, which would be taking the maximum weight up from 44 tonnes to 82 tonnes; so that would be a huge increase.

Potentially, those bigger vehicles could have a devastating effect on rail. There is no denying that. However, some of the more modest proposals I do not think necessarily would impact too heavily on rail. There is probably some sort of compromise we could reach here, where the road freight operators could derive benefit from load consolidation in bigger vehicles, without the adverse effect being too severe on the rail network; so we would get the best of both worlds. Hopefully when our report comes out in a month's time, you will see what I mean by that.

Chairman: We shall await it.

Q56 David Simpson: You mentioned earlier on in your comments about the Dutch system. What are they doing differently from us, both the Dutch and the Germans?

Professor McKinnon: I was thinking of the Dutch work in the area of sustainable distribution. They do much of what we do in encouraging better use of the vehicles, reducing empty running, better fuel efficiency. One other thing they have attempted to do is that they have a programme called "transport prevention", where they work with companies to try to get them to rationalise their freight demands; to route the vehicles better, for example. We have not attempted to do that as yet. We take freight demand as a given.

Q57 Chairman: Surely this is what any good freight office would do anyway? They must do this. I can believe that we could say that the British do not do this if we were talking about 20 years ago but, considering the numbers of freight fleets that are now controlled from the main office, they not only know what routes they are running, they know when they are stopping. Because of the impact of IT on the control of vehicles, surely nobody can be doing it better than us—because we are doing it to save money?

Professor McKinnon: Yes, but freight decisions are made within a wider business context. Companies often trade off more transport for lower inventory or more efficient warehousing. To its credit, the UK Government has adopted a broader logistical supply chain approach to the way it deals with freight; but the Dutch have gone one step beyond that and are actually trying to advise companies on their logistics, to help them rationalise their freight movement. We have not attempted to do that as yet.

Q58 David Simpson: Why have we not tried?

Professor McKinnon: Because I suppose it is felt to be too interventionist; that it is interfering with the market; it is trust in the judgment of UK logistics managers to do what is in the best interests of their companies.

Chairman: Gentlemen, I think that has been very helpful. We are very grateful to you all. You have all been very nicely behaved, and we shall make sure you get a mention in our guidebook as to how to behave before the Committee! Thank you very much indeed.

Witnesses: **Mr James Hookham**, Managing Director of Policy and Communications, **Mr Chris Welsh**, General Manager, Campaigns, Freight Transport Association; **Ms Sharon Davies**, Director of Corporate Affairs, DHL; **Mr Roger King**, Chief Executive, and **Mr Jack Semple**, Director of Policy, Road Haulage Association, gave evidence.

Q59 Chairman: Would you be kind enough to identify yourself for the record?

Mr Hookham: My name is James Hookham. I am the Managing Director of Policy and Communications of the Freight Transport Association.

Mr Welsh: My name is Chris Welsh. I am General Manager of Campaigns at the Freight Transport Association.

Ms Davies: I am Sharon Davies. I am Director of Corporate Affairs for DHL, but also representing the Association of International Couriers and Express Services.

Mr King: Roger King, Chief Executive, Road Haulage Association.

Mr Semple: Jack Semple, Director of Policy at the RHA.

Q60 Chairman: Does anybody have anything they want to say briefly?

Mr Hookham: Madam, we are clearly very pleased that this inquiry is taking place and we are happy to take questions.

Q61 Chairman: What a tactful introduction! Is the Government's approach to freight, that basically it is the responsibility of the private sector, appropriate? Does anybody have a view? Mr King, do you have a view?

Mr King: Yes. I think that it is important for the Committee to understand that, in terms of road haulage, there are two categories of the industry. There is the own-account part, which probably covers two-thirds of the trucks on our roads, and the hire-and-reward sector, which we represent. The hire-and-reward sector is commercially motivated, of course, and driven by a number of factors in order to make a return on the capital invested in the business. They are particularly aware of the challenge of operating a profitable, if possible, road haulage business, driving their efficiency as much as they can to ensure that they provide the service and the quality that the customer wants. Otherwise, they go out of business. I am not sure what role the Government has in ensuring that degree of competitiveness, because the market is extremely competitive and is very much price-driven. In looking at sustainable transport and the role of transport in the UK, there are two industries delivering in freight movements of the UK: the hire-and-reward sector and own account. Own account trucks, of course, are part of another business. Maybe the costing or the profitability of that kind of operation is not quite as acute as it is in the hire-and-reward sector.

Q62 Chairman: Are there any particular pros and cons of the private sector having control, in comparison with government? You have made it clear that that is the way an effective commercial industry works, but would there be any other arguments for having public control?

Mr King: Once upon a time we did. It was called "British Road Services", when the industry was nationalised. In those days it was considered to be very difficult to state-run any road haulage sector, because of the pressures and demands from the customer base. We are a very small island; we are very heavily populated; we have regions of high development; we have developments the length and breadth of the United Kingdom. Hauliers respond to local needs. They cannot operate with too much bureaucracy. It is important to remember that when we talk about freight there are also many aspects of freight. Many hauliers specialise in caravan movements, grain movements, aggregate movements, milk, petrol, livestock. These are all parts of an industry that is in a niche area but nevertheless is highly valued by the customer. How you could plan it on a state basis, I would somehow doubt.

Mr Semple: I think that the degree of innovation in the haulage sector is also sometimes overlooked. If you look at the pallet networks now, for example, they have developed over the last ten years, with 700 or 800 independent hauliers working together to move 70–80,000 pallets a night. If you look at the improvements from suppliers in terms of trucks, I think that M. Barrot was saying that trucks are now 18 times less polluting than they were 15 years ago. The regulatory framework for the second point has been placed by the UK and EU government. For the first point, the innovations—and the innovation is going on every day in terms of flexibility, efficiency, reliability and meeting customer demand—and responsiveness are down to the private sector and their culture, if you like.

Q63 Chairman: But is that the case? Is that the case and is it dictated by economies of scale? In other words, those natural anarchists that Mr King was talking about, who are the smaller sector of the industry, who I think would frequently have some difficulty in justifying their economics. Are they also going to respond to this lack of stimuli—this fine, anarchic free-for-all that you envisage?

Mr King: I think that you will find that many operators these days are working in co-operation either with groupings or with other operators elsewhere in the country, on back-load systems and so on. Actually, that has always been the case. The industry, in developing the pallet network—and there are other examples—has produced a distribution system that is very green; it is very sustainable; it uses the infrastructure when it is least used by others, that is, overnight; and guarantees delivery of the smallest goods from one end of the country to the other. That employs a large number of operators and a large number of commercial vehicles are engaged in that operation every single night of the year.

Chairman: I am glad to hear it. No empty running.

16 January 2008 Mr James Hookham, Mr Chris Welsh, Ms Sharon Davies, Mr Roger King and Mr Jack Semple

Mr Hollobone: I enjoyed and found very informative the quick-fire answers to my previous three questions—

Chairman: That was a mistake! We must discourage this!

Mr Hollobone: Our witnesses all had advanced notice and I would like to ask the questions again. What would be the main differences, as you see it, with the UK freight industry in 2020 compared to now? Which countries do freight transport better than us? If you were given an individual five-year mandate with all the powers you needed to improve UK freight, what would you do?

Q64 Chairman: Briefly!

Ms Davies: For the first question, I would say that greater environmental guidance would be one; because I think that we are all being subject at the moment to a lot of environmental regulations and expectations from customers in terms of what we should and should not be doing. So I think that some more guidance on that would be one. In terms of countries that are better than us, I am afraid I do not know on that one. Going forward in the future, I think that e-commerce and home delivery will be an area that will probably grow even more. In terms of what could be done to help us, if I had a blank piece of paper, I would say possibly new buildings and more freight consideration for loading and unloading bays would be a particular one for us.

Mr Welsh: I think that one of the main differences is likely to be that, if we do not tackle the problems that we have with a lack of investment in specific parts of our network, congestion on our roads will be much greater and therefore the reliability and predictability of journey times in all modes of transport—

Q65 Chairman: So what specifically are you talking about?

Mr Welsh: The framework that was set out by Rod Eddington in his report clearly identified putting investment into the main parts of our infrastructure, particularly ports infrastructure, connecting to and from ports: reflecting a bit the comments made in the last session about the re-gearing of the UK economy, where most of our freight these days is coming in via the Far East through our ports and using our main arteries, our motorways and rail networks. It is therefore in those specific areas where we need to invest, and invest heavily, to ensure that we get the reliability and predictability into our supply chain.

Q66 Chairman: Anywhere doing better than us?

Mr Welsh: I like to think that the UK logistics industry is amongst the best in the world.

Q67 Chairman: “No” will do, Mr Welsh! Mr Hookham?

Mr Hookham: I clearly support the views of my colleague, but perhaps I may make just two points. First of all, we made a very detailed report on the forecast of freight growth to the Eddington study, and I would be pleased to provide the Committee

with those forecasts, to use some numbers on that. The basic themes, though, were cars, more cars, and even more cars on the roads; and passengers and even more passengers on the railways. I agree with your previous witnesses who indicated a flattening of freight growth. We expect that to continue, but congestion will be driven by people wanting to travel by their respective modes. That will be the feature of the next five to ten years.

Q68 Chairman: The other elements which Ms Davies was talking about, the change in the way people buy things and the change in the way they are delivered—you do not think that will have any impact?

Mr Hookham: I certainly do, and I think that will result in more frequent, smaller consignments, whether to the door, home deliveries, or even between businesses; so smaller and more frequent loads.

Q69 Chairman: Mr King, something different from the others?

Mr King: Yes, indeed, Chairman. One of the things that concern us is that by 2020—in fact, well before then—there will be an open and free market in Europe for the movement of goods by road. The cabotage rules which we currently operate under, and which are being amended to permit three journeys in seven days by any international haulier operating in the UK, will be swept away, if MEPs have their say, by 2012. We have about four years to level that playing field, which I think we are all aware of, in terms of fuel prices. To allow foreign competition coming into the UK with the benefit of low fuel prices will cause enormous problems for the indigenous UK haulage sector. It also has problems in terms of road safety, which we are all aware of. As an initiative which the Committee might care to consider, instead of weighing the trucks when they come off the ferries, causing backlogs and gridlocks in our ports, why are they not weighed before they go on the ferries at Calais and elsewhere? There is plenty of time to do it and that would be the sensible place; and, if they are overweight, they do not come into the UK.

Q70 Chairman: Did you want to add to that, Mr Semple?

Mr Semple: Yes. In the short term, in terms of foreign vehicles, we have great concern that the graduated fixed penalty scheme—which was the Government’s solution to enforcing the law in terms of foreign operators—has been put back yet again and will be at least two years late. It was much better than nothing. The Prime Minister said in his Budget statement when he was Chancellor that there would be 50,000 checks this year on foreign vehicles. At the moment, those checks are pretty toothless, and that is appreciated. That was going to be fixed by spring this year originally, and we are now into 2009 for delivery—which is a bit of a problem. Apart from that, the UK standards are very high in terms of compliance. We have the most coherent regulated

16 January 2008 Mr James Hookham, Mr Chris Welsh, Ms Sharon Davies, Mr Roger King and Mr Jack Semple

system. If you are going to look abroad, I think that the Dutch often come up in conversation as being very efficient hauliers.

Q71 Graham Stringer: Can you expand on why these 50,000 checks are toothless?

Mr Semple: There is very little sanction in practice that UK enforcement authorities have. UK operators can more easily be prosecuted and they can in addition be reported to the Traffic Commissioner in terms of regulation of the “O” licence.

Q72 Chairman: They can also take them off the road, can they not?

Mr Semple: We had a haulier contact us just recently about an eastern European driver who had taken, at most, three hours’ consecutive break in the preceding three and a half days. The local VOSA agents said there was nothing they could do about it. That is fairly typical. The reason why the graduated fixed penalty scheme is agreed to be so important is that it gives a level of sanction which is not available at the moment. In recent years, the Home Office has drawn back from the circumstances in which foreign drivers can be taken to the magistrates’ court and the Department has been reporting infringements for many years to foreign governments, with no evidence at all of action being taken. The UK is the only country in the EU that revokes operating licences for non-compliance.

Q73 Graham Stringer: Mrs Dunwoody’s point is right, is it not? The lorries can be confiscated.

Mr Semple: Foreign operators’ lorries?

Q74 Graham Stringer: Yes.

Mr Semple: Not for infringements—

Q75 Chairman: I do not want to argue with you on this because that is not the purpose of this. However, there has been, certainly since the beginning of the year—I know that it is a very short period, but at the end of last year and the beginning of this—various police forces have suddenly started to enforce this with some energy, and they are producing quite interesting figures.

Mr Semple: The main sanction in terms of foreign operators is to take lorries off the road if they are being operated without an “O” licence—a UK “O” licence—and they are deemed to be doing UK domestic haulage illegally. In terms of the lorries which are breaking the drivers’ hours rules, are overloaded, or another mechanical condition, by and large there is no adequate sanction; and that was the purpose of the graduated fixed penalty scheme. The lack of sanctions is acknowledged by the Department.

Q76 Chairman: If you have any evidence of this, we would be interested to see it.

Mr Semple: We would be very happy to furnish you with it.

Q77 Clive Efford: Just to clarify one point on that, driver fatigue is a killer and is something that has had a great deal of publicity. Are you saying that the authorities knowingly allow a driver who has broken the driver hours, and in fact may have had only three hours rest in the previous 24 hours, to continue on his journey?

Mr Semple: UK drivers are typically prosecuted and their operators are often prosecuted. The employer is often prosecuted as well. Sanction can also be taken against a vocational licence and against the “O” licence. Those sanctions are not available in terms of foreign operators, and the incidence of foreign operators being prosecuted in the courts is extremely low—and drivers as well.

Q78 Clive Efford: Preventing the lorry driver going any further is a sanction that is available, and you are saying that that is not used in those circumstances?

Mr King: The fact is that the authorities will ask the lorry driver to take his rest and require him to sleep and to get his hours back in terms of rest; but in terms of issuing a penalty or a fine, that does not happen, because the law which Parliament passed has not yet been enacted. We keep asking when it is going to be enacted and we keep being told “Shortly”; yet, yesterday, we heard that it will be delayed yet again, for an indeterminate period. We do not know what the hold-up is.

Chairman: We would like a detailed note from you on your correspondence with the Department, what you were told yesterday and what evidence you have of specific instances.

Q79 Mrs Ellman: The government wants to encourage freight to move by rail or by water. Do you think that government funding is enough to make that a reality?

Mr Hookham: The sustainable distribution fund to which you refer has helped a lot of businesses to make the shift from road to the other modes. Very often though the factors which are taken into account are not purely the price. They are levels of service and indeed the time of day and frequency of services is also an important factor. It depends very much on the goods that are being moved and the kinds of markets that are being served. Where capital investment is required, many businesses particularly in the aggregate sector have made use of that. The balancing act that the government has to perform is to be able to justify this in environmental terms so as to avoid the state aid rules that Brussels lays down and that sometimes creates difficulties in obtaining the money.

Mrs Ellman: Does the productivity strand of the Transport Innovation Fund work well?

(The Committee suspended from 3.46pm to 3.56pm for a division in the House)

Q80 Graham Stringer: In the evidence from the Association of International Courier and Express Services you make what I think is an important point about air freight: “This diversionary approach cannot be allowed to undermine the crucial role

16 January 2008 Mr James Hookham, Mr Chris Welsh, Ms Sharon Davies, Mr Roger King and Mr Jack Semple

played by the express sector.” Do you think this country has lost out by not having two major hubs for international freight within the country as in Brussels and Paris?

Ms Davies: We would welcome the expansion of Heathrow, for example. We operate a lot out of East Midlands Airport particularly. Any guarantee that the government can give us on night operations is something that we would always be looking for. We have to fly at night so any advancement in the infrastructure development at Heathrow and East Midlands particularly we would welcome.

Q81 Graham Stringer: Guarantees of night flights would be one thing. Is there anything else the government could do to support the high value end of the air freight market?

Ms Davies: I suppose it would be investment in the road service access towards the airports as well. Again, we are having trucks going from the motorways to the airports so any support there would be good. Particularly at East Midlands there are three operators there: DHL, UPS and TNT. They put an awful lot of investment into local community funds to do just that, so again any support on that front would be good.

Q82 Graham Stringer: Do you have any evidence that, because these two major hubs or two major companies in international air freight are in Brussels and Paris, there is an environmental cost of them dropping in Brussels and Paris and then either reflying over or transferring to lorries? Would it be better environmentally to have larger air freight hubs in this country?

Ms Davies: Undoubtedly, yes. It would be.

Q83 Graham Stringer: Do you have any evidence? Do you know of any studies that have been done?

Ms Davies: No. We have a study that was produced by the OEF that the AICES put together and commissioned to be done and again I can send the Committee copies of that. It looks at the future of air express and what we would require.

Q84 Graham Stringer: That would be helpful. If I can move to a more general question which relates to Mr Hollobone’s questions about futurology and what is going to happen next, how sensitive are the projections that are made on congestion and future freight to the price of oil? Will not \$200 a barrel oil solve a lot of our problems? It creates other problems but it will solve a lot of the congestion problems.

Mr King: There would not be any industry or businesses. They would all collapse overnight. Yes, it would have a wonderful effect. It would open up our roads, eliminate congestion and I think we would all get about very well but we might be walking.

Q85 Graham Stringer: When oil was \$25 a barrel, not very long ago, if a few people said there would be a fourfold increase, we would have got the same answer as that but our roads are still congested.

Mr King: There is scope. If oil increased in price to \$150 a barrel or even \$200 a barrel—some economists have forecast that it might just reach that this year which would mean doubling the price of fuel at the pump—the government would have to say, “Look, we are earning a great deal from petroleum North Sea oil revenue, even more from value added tax. Therefore, we are going to reduce the amount of fuel duty that we levy on a litre of fuel to try to stabilise the price.” Even if the government took 26p or 27p off fuel duty, it would only bring it down to the average paid elsewhere in Europe. It would have the power to do that. It would not be out of pocket. I am not necessarily agreeing that a very high oil price of that nature could have an incredibly damaging effect upon the UK’s manufacturing and trading position but the government could have a mechanism to soften the blow.

Q86 Chairman: I take it you have forgotten the attitude of the Treasury, Mr King, irrespective of its political view?

Mr King: I have come over to the other side.

Mr Hookham: The rate at which prices go up will have an effect. This is all about cash flow, particularly in small haulage and transport businesses. Clearly there is a price to be paid before a wheel is turned and any money is made. Hence the concern about fuel duty escalation generally but, if it is the commodity price of oil, that would have a big effect on the smaller end of the business certainly. The evidence is that these wider effects do take some time to get through. The evidence is that the logistics industry has coped with these major changes in its import prices. There have been casualties and pain but we have managed to cope with that. If it all happened overnight, it might be a different matter.

Mr Semple: I very much welcome the greater emphasis on the debate on congestion. Hauliers have more interest almost than any other road user. It is a bigger issue for them than almost anybody else. With reference to the previous session, the debate much too often focuses on road pricing. We need a much more holistic, open debate on how we tackle the problem of congestion because congestion is our problem. Road pricing really is the government’s problem.

Q87 Chairman: I am sorry. That aphorism totally defeats me. What does it mean?

Mr Semple: If we are talking about congestion, the debate always comes back to road pricing. My point simply is it would be useful to widen the debate into other issues.

Q88 Chairman: What would you expect it to widen to?

Mr Semple: Working patterns, planning issues. There is one issue we are very keen to get the government engaged in and that is persuading companies to take more deliveries of freight at night, for example, not only in the high street.

Chairman: What success have you had with the brewers?

16 January 2008 Mr James Hookham, Mr Chris Welsh, Ms Sharon Davies, Mr Roger King and Mr Jack Semple

Q89 Mr Clelland: On that very point, what we tend to hear from witnesses is what the government should be doing and what the government should not be doing but what can the industry do to help relieve congestion?

Mr Semple: Many members of the RHA from different sectors want to work more at night. The biggest problem they face is that their customers are reluctant to receive at night.

Q90 Chairman: In other words, the government's attitude would make no difference whatsoever.

Mr Semple: The government could use a little bit of the Sustainable Distribution Fund for example to help pump prime companies to receive at night. There would be huge impacts potentially at Felixstowe and Southampton for example which are near capacity. If we can move boxes off the ports and deliver to customers, that would help to reduce some of the pressure.

Q91 Chairman: Mr Semple, you are a very remarkable man. You are not seriously suggesting that the government would use taxpayers' money to encourage people to get their goods delivered for themselves at a time which was convenient and also was going to remove congestion charging?

Mr Semple: I am suggesting that there is evidence that it would reduce the CO₂ and therefore fall within the rules of the Sustainable Distribution Fund.

Q92 Chairman: You have succeeded in convincing large sectors of the freight industry that this is the case?

Mr Semple: A number of our members are saying, "We are keen to work at night. What can we do?"

Q93 Chairman: They actually tell you they are prepared to do this?

Mr Semple: To work at night?

Q94 Chairman: Yes.

Mr Semple: Yes.

Q95 Chairman: There are constraints?

Mr Semple: One of the biggest constraints is customers receiving at night.

Mr Hookham: There has been some success with negotiating relaxations of delivery restrictions locally. This is an incredibly sensitive subject. Clearly, local communities do not want on the face of it to be disturbed by lorries arriving at stores and other premises.

Q96 Chairman: Extraordinarily unreasonable.

Mr Hookham: Nevertheless, this is a challenge that we need to tackle if we are to maximise the productivity of the road network. It gets deliveries out of peak hours when the roads are most heavily congested. The government has helped by producing only last year with the FTA's help a toolkit for local authorities to understand the issues and there are a number of pilot projects in London and elsewhere in

the country where trials are being conducted with the full cooperation of the local authority, the retail store and the local community.

Q97 Chairman: How many and what size? Can you give us a note on the numbers of pilot schemes? We would like to know the terms and conditions. I would like to know which industries are involved too.

Mr Hookham: Certainly.

Q98 Clive Efford: In the absence of a national road pricing scheme, should the government return to a pricing schemes for the lorry industry?

Mr King: The lorry road user charge had a very chequered history. It was something that we were very interested in because it was going to levy a charge on all vehicles, foreign vehicles as well as UK ones, and offset the charge with a fuel duty rebate. All we know is that after spending £40 million, four or five years later it was abandoned. I do not think you can just levy a lorry road user charge because you are going to have to charge UK hauliers the same rate as foreign hauliers coming in, unless you introduce a fuel rebate system which was the very basis of the original charge. The difficulty of the scheme, as I understood it, was that it was going to be universal application, every single road in the UK, which made the deployment of it difficult, but also the enforcement issues. You cannot enforce by satellite; you have to enforce by microwave by the side of the road so that you can check that the system is functioning on vehicles that roll past. The difficulty of checking in the middle of Exmoor whether a vehicle is levying up a road user charge and the installation of masts and pylons to enable that to happen made the whole thing far too complex for anyone to introduce. I do not see it ever coming back. In the same way, road pricing generally is decades away and is not going to be a very quick solution to any of the problems we have.

Q99 Clive Efford: Do you think we need to introduce any sort of measure that would help the road haulage industry in terms of creating a level playing field?

Mr King: Most definitely. There is currently a proposal in the Scottish Parliament about a fuel duty regulator. There are ideas about subsuming some degree of fuel duty into a higher VAT level, all of which would help in their own way. The lorry road user charge did at least establish one principle which the government accepted and that was a fuel duty rebate, albeit with an offsetting charge, but at least the principle of a rebate had been established. They were operating on the basis of a smart card per vehicle. We think that scheme could be introduced, a smart card for every truck, which would be used at the time of purchase of fuel from the pump. They would have a register of number of litres drawn along with their mileage. It could be double checked that it was not being fraudulently drawn and then there would be an appropriate reduction in rebate at a quarterly level. We think that is entirely workable and could be done. The problem is whether the EU would accept it because it is quite a big rebate that we would be

16 January 2008 Mr James Hookham, Mr Chris Welsh, Ms Sharon Davies, Mr Roger King and Mr Jack Semple

looking for, well outside what the EU would accept but then, after all, our duties are so much higher than anywhere else. The EU wants harmonisation of fuel prices. I would have thought it would have jumped for joy if the UK government said, "We want to introduce a kind of rebate for UK hauliers and foreign hauliers when they are in the UK."

Mr Semple: I am not sure it is fully appreciated in the UK that the British hauler per articulated lorry typically pays, depending on mileage, between £10,000 and £15,000 more in fuel duty than the competition rate. That is a lot of money per lorry, per year.

Q100 Clive Efford: Your scheme involves a rebate system. Is there not another system that we might be able to implement at the ports? One of our witnesses earlier on suggested that perhaps a levy should be applied to fuel coming in in lorries from the continent.

Mr King: We would like to see it but it would be illegal. It would represent a frontier control and that is not something that the EU would permit. The government is supposedly working on a vignette which would be a daily charge for foreign operators in this country per truck. The limitations of that are that you can only charge up to £900 per year per truck on a vignette and after that the truck has free access to our roads. Of course, it would also apply to UK hauliers. We would look for a reduction in vehicle excise duty to compensate for a UK vignette but it really does not do very much to level the playing field and from a foreign haulier's point of view it is an inconvenience more than a financial disadvantage.

Mr Hookham: The important point for government here is to find a means of taxing the fuel that we use in the freight sector differently from the diesel fuel that is used by the private motorist. At the moment the government has no means of differentiating between the two and the goal for the government is to find a different means of doing that. It has different considerations and different factors to weigh in the tax policy for private motorists and its tax policy for the freight sector.

Q101 Clive Efford: That is easily said but how do you square that with a policy that wants to encourage some form of modal shift? We want to reduce congestion; we want to reduce emissions. What you are saying is that we should relax the fuel duty excise on diesel for the road haulage industry. That is going to be an incentive to shift from rail and other forms of transport to the road, is it not?

Mr Hookham: It provides the cash and the incentive for particularly smaller operators to make the efficiency savings and improvements in their operations that drive the CO₂ savings that the government is looking for. One of the casualties, I suspect, of increases in fuel duty which are very cash hungry is that discretionary activities are often having to be bypassed such as training of drivers, simply because the fuel bill has gone up. That obviously has to be paid before anything else.

Q102 Chairman: It is not a very well balanced industry that abandons training drivers when it knows that there are fewer drivers available, is it? You cannot really use a lorry if you do not have someone to drive it.

Mr Hookham: Cash is king in business and it is the imperatives that particularly smaller businesses face.

Q103 Chairman: The horizon is something like ten days, is it?

Mr Semple: The 1999 sustainable paper from the Department said that it wanted to discourage five axle, 40 tonne lorries on 11.5 tonne drive axles. The reality is that we are now being almost overrun by vehicles of exactly that configuration from Europe and the government has no answer because they have an entirely free run on our roads. The 1999 paper specifically said that they wanted a taxation system to reduce that.

Q104 Chairman: What effort have you made to target any campaign through the House of Commons or the House of Lords to make sure that Members are aware of this?

Mr Semple: We will and the more we tax British lorries the more you are going to see this exact lorry that the 1999 paper said it did not want.

Q105 Chairman: Do not answer a question I did not ask you. I can do that myself. If this is the case and presumably you are the campaigning organisation, what have you done to make sure Members of Parliament know about it?

Mr Semple: We have campaigned over quite a number of years on the issue of the fuel duty difference.

Q106 Chairman: No. You were making a very specific point. I am asking you for a specific answer.

Mr King: We have campaigned generally to Members of Parliament. We have a leaflet which will be going out to each and every Member of Parliament over the next week or so on this very issue, where we are saying that foreign trucks are overweight.

Chairman: Okay. I have encouraged you and you have done it immediately.

Q107 Mr Leech: In terms of heavier or longer vehicles, do you agree that this will be a disincentive to move from road to other forms of freight traffic? What do you see as the potential benefits of allowing heavier and longer vehicles onto the roads?

Mr King: Let us make it absolutely clear. We welcome more freight going on the railways because it helps reduce the congestion on the roads. The average road haul is 60 miles. A railway cannot compete but if we can get long distance traffic off that is more suitable for rail that is all to the good. In terms of economic growth and the amount of containers that are going to be coming into the UK, the figures today will be dwarfed by what we are going to see in the not too distant future. That is the way world trade is happening from China, India and elsewhere. How we lift those containers, whether the railway can take that extra business, even with upgrading, is open to

16 January 2008 Mr James Hookham, Mr Chris Welsh, Ms Sharon Davies, Mr Roger King and Mr Jack Semple

debate. They have a major role to play but longer goods vehicles that can move more, particularly overnight, restricted in route and time, may have a role to play. Our view is: let us experiment.

Q108 Mr Leech: You did not answer the question as to whether or not you agreed that longer and heavier vehicles would be a disincentive for modal shift.

Mr King: No.

Mr Semple: Alan McKinnon has spent a lot of time on that over the last year and I think he indicated that it may be possible to improve the efficiency of road haulage, which is our major mode for freight, without unduly holding back the development of rail freight.

Mrs Ellman: There has been a longstanding proposal for a dedicated freight route from the Channel Tunnel to Glasgow, going through major towns and cities. Is that something that you favour?

Mr Hookham: We recognise the huge cost and the very long timescale for a large scale project such as that. We should not look to those kinds of projects to deliver remedies to the issues we have been talking about today. I would like to say a little bit about where I think the use of existing railway network can be improved because we talked earlier about incentives for moving from road to rail. I think the remedies lie a lot further upstream in the railway sector. What I hear a lot is that railways do not operate seven days a week like the road network does. Getting Network Rail to carry out its maintenance in such a way that freight can move throughout the week as it needs to is a very important objective. Network Rail understand that. That is where I think one gets more flexibility and more capacity much more quickly than waiting for very large scale schemes to be worked through the planning system and eventually delivered. There is a lot more to be done with what we have by better management and better working arrangements between Network Rail, the rail freight operators and their customers. I think that making that more attractive is where the remedies lie.

Q109 Mrs Ellman: Do you think the government should be more active in doing that?

Mr Hookham: I think it has set up a very innovative structure for the railways. I believe the right incentives are present in Network Rail. Provided the next settlement of track access charges is right, that would give Network Rail to create the capacity for freight. What could upset that balance is if franchise arrangements and track access charges are such that they favour passenger services over freight services. That is the ongoing tension that exists in the railways.

Q110 Mrs Ellman: Are you satisfied generally that the government is sufficiently involved in developing rail links to ports?

Mr Hookham: Yes. I believe the question you asked me just before the division bell rang was about the TIF schemes and they were particularly targeted at improving rail capacity to the ports, the announcements made last October. We very much welcome those. We hope they will be delivered before very long. They are much needed to improve the capacity both in terms of number of trains and the size of containers that can be carried.

Q111 Chairman: Are you saying the Department ought to produce an updated and multimodal freight plan?

Mr Hookham: The approach the European Commission has been taking in its revised White Paper of what they call co-modality, where all modes are—

Q112 Chairman: What is that in English?

Mr Hookham: That means that all modes perform to their maximum capacity and we get away from this either/or, this modal tribalism which dominated transport policy a few years ago. Since the Edgington Report, we have a feel for the size of the challenge that we face and I think all modes have to deliver at their maximum capacity to cope with the demand that we have been talking about this afternoon.

Chairman: Gentlemen and Madam, you have been very helpful. Thank you very much indeed.

Witnesses: **Mr Bob Crow**, General Secretary, National Union of Rail, Maritime and Transport Workers (RMT), **Mr Andrew Linington**, Head of Campaigns and Communications, Nautilus UK, and **Mr Dave Williams**, Chair, National Committee, Road Transport, Commercial, Unite the Union, gave evidence.

Q113 Chairman: Good afternoon, gentlemen. Would you be kind enough to identify yourselves for the record?

Mr Williams: Dave Williams, chair of the Road Transport Commercial Trade Group for the T&G section of Unite.

Mr Linington: Andrew Linington, head of communications, Nautilus UK.

Mr Crow: Bob Crow, general secretary, National Union of Rail, Maritime and Transport Workers.

Q114 Chairman: Does anybody have anything they want to say? No? Can I ask you the sorts of questions that have concerned us? Is the government the best one to control the road freight industry or should it be left entirely to private enterprise?

Mr Crow: I would say the government, to have a fully integrated transport network, not just for passengers but for freight. By the way, we are not arguing purely for railways. We are saying that everyone should be involved. We want one that delivers freight as environmentally friendly as possible and as efficiently as possible. We believe the only people who can really hold the strings to that are the government.

Q115 Chairman: What do you say to the argument that they are very efficient, that they have to make money, that the discipline of making money is going to affect their planning and their control of their fleet? Is that not the case? Does government really have a role to play in this?

16 January 2008 Mr Bob Crow, Mr Andrew Linington and Mr Dave Williams

Mr Crow: It is according to how much of a role the government wants to play. There are other debates in other parts of industries that are being discussed at the moment—for example, Northern Rock—where they have taken an interest and we believe they should take an interest in freight, not only the question of the movement of freight but the environmental effects which are obviously causing the weather problems that we have at the moment.

Q116 Chairman: Mr Linington, does the government have a coherent vision on the future of freight transport?

Mr Linington: Sadly, we do not think so. We would support RMT in the belief that there is lacking a core set of targets, a core drive towards key objectives. We believe the market approach is fundamentally flawed. The things that have to be grappled with here are so complex and so sophisticated that you need government direction for instance with ports to develop ports that have an infrastructure that is capable of dealing with the demands on them. You need to identify ports that for instance could play a part.

Q117 Chairman: If I am running a port, is there any particular reason why, since it is my business, I should not be prepared at least to invest in infrastructure outside my own premises and make sure that my lorries are able to get in and out with speed and despatch?

Mr Linington: The problem with not directing it is that you are out of synch with the initiatives that we see being taken in other parts of particularly Europe, particularly the drive towards motorways of the sea. These are things which have a strategic vision towards directing services to certain areas. They identify key routes where traffic can be taken off roads and onto the sea. Unless you have a broader vision, a broader direction to where you are going, you cannot leave it to the market.

Q118 Chairman: Mr Williams, HGVs only pay something like 59% to 69% of the full costs of running. Should the government ensure that the freight industry is accountable for more of its negative impacts?

Mr Williams: There is no doubt that the freight industry itself needs to recognise its role in all of this. Forgive me for wanting to be particular at this point but the evidence that you may hear from this end of the table at the moment is to do with the people who work necessarily in road transport and freight distribution and the logistics industry generally. Of course there are constraints for us and we have to find methods of devising mechanisms which give us a positive role in that but you have to take your people with you. I refer to the question that you previously put that Bob responded to. There needs to be far more of an interventionist involvement as far as government is concerned in ensuring—

Q119 Chairman: Fiscal intervention? What sort of intervention? Governments have a habit of intervening across the board. What particularly have we in mind?

Mr Williams: In particular, ensuring that the regulations and the intention that government has for ensuring that industry, particularly the freight and the logistics industry which is the oil on the wheels of the economy, recognises that there are people involved in that. Whatever the best intentions of government are in making sure that the regulations apply, what is most important is making sure that those regulations are enforced.

Mr Linington: If I could give a specific answer to the question you just put, there was a study carried out in 2002, the UK Marine Motorways Research Project. That concluded that modal shift in significant measure was unlikely to occur if left to market forces. As a result, you need to be directing things like making sure that different transport modes are competing on a level playing field. One of the concerns we have is that shipping is left essentially as rampant market forces in play, whereas obviously it is competing against road where you have public provision in the roads infrastructure and then you have externalities like congestion and pollution. All of those factors need to be brought into the bigger equation of how you direct support and the general regime in which these different modes have to compete for a share of the market.

Q120 Mr Hollobone: Would you say that British registered heavy goods vehicles are generally safer and better driven than foreign registered heavy goods vehicles?

Mr Williams: Certainly by members of Unite they are better driven. I would confirm that.

Q121 Chairman: It is nice to have these unbiased opinions.

Mr Williams: The RMT are not that far behind. It would be fair to say that the issue of drivers, their ability to drive and do the job that they do can be measured simply by the professionalism and the way that they are treated. Where we have the influence to ensure that drivers are doing a professional job in a professional way is where we have the ability to influence that. It would also be an acknowledgement that eastern European labour and European labour which is filling the gap in the UK market in certain respects—there is clear evidence—we find that those drivers are not as well trained or prepared to do the job that they do. It is not their fault; it is simply a consequence of market forces.

Q122 Chairman: As second best, do you have anything to add, Mr Crow?

Mr Crow: The reality is that we are not a European knocker or an eastern European knocker but it is quite clear that they have not got the same protection we would expect in this country. Obviously it makes no odds about them driving on British soil if the protection and longer hours they can have before breaks—we believe that would have a significant impact on safety for everyone on the roads.

Q123 Mr Clelland: Mr Linington, it would seem that the ports are responsible for generating more traffic on our roads than they are for taking off. To what practical extent do you think traffic could be moved from the roads to waterborne transport? What proportion of freight currently on our roads could be transferred to waterborne transport?

Mr Linington: There has been a variety of research conducted into this. At a bare minimum, one research project suggested 3.5%. That is with no intervention or progressive support measures. Beyond that you are looking at potentially much larger figures.

Q124 Mr Clelland: What would it take to achieve much larger figures?

Mr Linington: We have been saying for instance that if you enter the road pricing debate you are looking at a mechanism that can encourage the transfer of freight off lorries onto ships because it is economically viable to do so. Some of the research suggests that particularly on short journeys at the moment it is just not economically viable to make that switch. We would argue that is because all the externalities are not factored into the equation. There are these big issues about port infrastructure. I heard one of the earlier speakers being asked about the rail connections to ports. We believe those are sadly lacking at the moment. There is an awful lot that could be done in those areas. I could go through a very long shopping list if you like.

Q125 Chairman: I hope you gave it to us already.

Mr Linington: A fair bit.

Q126 Mr Clelland: We heard from the witness from the Freight Transport Association that even if we maximise the capacity of the railway to take as much freight as it can possibly take that would probably only increase the amount of freight being transported on the railways from 8% to some 12%. Would you agree?

Mr Crow: If there is no further infrastructure taking place to the railway network.

Q127 Mr Clelland: You were suggesting that that is about the maximum we could expect even with investment in new lines.

Mr Crow: I would slightly disagree. I think there is an opportunity for more than that if the infrastructure is put in there for new railway links. For example, it is not just a question of the ports. One of the biggest container depots is in Birmingham, nowhere near the sea. That is what happens. Walmart have just opened up a massive, new depot up in the north east, nowhere near the sea.

Q128 Mr Clelland: You are never far from the sea in the north east.

Mr Crow: It is way back from a port. It is the question of ports and roads. We are not saying that all lorries should be banned from motorways but we should be looking at freight villages.

Q129 Mr Clelland: That is all laudable and I am sure everyone would encourage more freight to be using other modes of transport. The point we are trying to get at is that it would seem from what we have heard, as much as we might want to move freight from road to rail or waterborne transport, we are not going to have a great deal of impact.

Mr Crow: There are for instance the inland waterways. There are more canals in Birmingham and the Midlands than there are in Venice. The canals do seem very romantic with people going up and down on them but they were built to move freight. It is not the quickest way to move freight but for those people who rely on services overnight we should use the inland waterways.

Mr Linington: I profoundly disagree with that analysis of it. Yes, if it is left as it is, the potential for this share to increase is small but that is the whole point. There is a whole load of measures that you can take which would increase that potential dramatically. Our argument is that shipping offers huge potential scope. You have hundreds of ports around the country and immense flexibility to run services around the clock. Shipping is a 24 hour operation. You can direct ships to different ports. It is hugely flexible. You can put different ships on different routes. If you find that this particular route is increasing, you can charter additional ships which is what shipping companies do. There is a lot of potential there but our point is that it is not being harnessed under the existing regime.

Q130 Mr Clelland: What we need to know is what you believe is practical and economical. All things are possible. We can ask for the moon but what is practical and economical? Is that some of the evidence which you mention?

Mr Linington: It certainly is. I go back to the motorways of the sea scheme for instance. We have to look at what is happening in other countries. Certainly within Europe there is a concerted drive with identified targets for how much freight they want to move off land and onto the sea. These are not mythical things; they have clear targets. There is also European money there. I have some figures here which show, to use a cliché, that we missed the boat in the first handouts of money under the Marco Polo scheme. With the very first motorways of the sea schemes they called for expressions of interest. The UK was not part of that so the money ended up going to about six or seven other European Member States and not coming here.

Mr Clelland: If there is any further evidence the Committee has not already had, we would be very interested to see it.

Q131 Mr Hollobone: We had some interesting evidence in the previous session about concerns that foreign drivers and foreign operated lorries were not being prosecuted for breaches in safety conditions. Are your members concerned about that? Is there, as far as you are concerned, an increase in those sorts of incidents and is it time for the law to be changed to make the cab designated as a workplace?

16 January 2008 Mr Bob Crow, Mr Andrew Linington and Mr Dave Williams

Mr Williams: Absolutely certainly in answer to the latter part of your question. I do not think there is any doubt and we have campaigned with the Health and Safety Executive to try and make sure that the cab is eventually defined as the workplace. It seems an absolute nonsense that the majority of UK or British workers are protected by health and safety legislation in the UK and yet the cab, the driver's workplace and some of the time his home, is not. It is completely ignored and removed from the regulations which would apply to any other worker. We do not and we would not go down the road of a little England mentality. Drivers, wherever they come from, are faced with the same sort of conditions, whether they are UK based or the gap is being filled from elsewhere in Europe. It is an absolutely fundamental issue for us that we do see the workplace, the cab, being recognised and given the protection that the majority of workers in the UK get from a health and safety point of view and of course that should be enforced and applied. As a footnote, we received strong support from the Traffic Commissioners at the Health and Safety Executive for our position on that but unfortunately the consensus around the rest of the group was that that was not an appropriate step at this stage.

Mr Crow: We would support that situation.

Q132 Mr Hollobone: What about the foreign operated lorries not sticking to the requirements of the UK authorities?

Mr Crow: Surely there has to be a level playing field? Our view is that when you are in Rome you do what the Romans do. If they are in this country they should be prosecuted.

Q133 Chairman: Have you any evidence of specific instances reported to you, something that can be checked?

Mr Williams: If we have—

Q134 Chairman: Would it seem likely to you that a police force would stop a driver who could be proved to have only had three hours' rest in the previous three and a half days and allow him to continue because he is a foreign driver?

Mr Williams: I suppose it is possible. I heard the evidence being given earlier and I scratched my head a little bit at the way that question was offered. If there is evidence at all we would certainly be prepared to present that.

Q135 Chairman: It would help us if you would have a look because what we need is specific cases.

Mr Williams: On that particular point, again, it is about enforcement. It is about us being consistent in the way that we approach the enforcement of the regulations.

Q136 Clive Efford: Do you think the enforcement is adequate?

Mr Williams: In a word, no.

Q137 Mrs Ellman: How important would you say the freight transport industry is to the country and to the regions?

Mr Crow: Very important. It is absolutely essential that freight moves from A to B as efficiently as possible. For any economy the movement of freight is absolutely essential. What we are concerned about is these new lorries that are coming in. We do not think they are safe.

Q138 Chairman: The definition of new HGVs? Are we talking about the new size?

Mr Crow: Yes, the new 60 tonners. A typical freight train can remove 50 HGVs from our roads and the aggregate freight train can remove up to 120 HGVs from our roads. We are concerned about those individuals that would lose their jobs as a result of that issue. We are not here to say that those people should lose their jobs. The industry should be diversified so that these people are given opportunities to work in other industries. That is no different for example to when Longbridge goes down and Network Rail offers 200 jobs to the Longbridge workers.

Mr Linington: It is almost impossible to understate the economic importance of the freight transport industry. Essentially we are still an island nation. We are still looking at 95% of our trade coming and going by sea. There are huge volumes involved. Interestingly in the States there have been some studies done about what the impact of just one port closure would mean in terms of damage to the economy and how that would knock on to absolute gridlock in terms of supply chains. We live in this "just in time delivery" economy and it is very fragile.

Q139 Chairman: Would it not be better and genuinely more green to go back to a local system of delivery and the use of local products, the need to have manufactured goods, jobs and food closer to the people who want to use them?

Mr Linington: If you look at the environmental arguments, there are huge arguments about that. There are ironically some strong economies of scale in transporting large volumes long distances.

Q140 Chairman: We want to be green except when we can make a profit?

Mr Linington: Globalisation can bring some benefits.

Q141 Chairman: Now I am totally confused.

Mr Linington: The economic point which is really important is that you look at the economic value of freight to the country and then you look at the paucity of freight facilities grants which are designed to foster modal shift and change. For shipping, they have deteriorated in value significantly over the last 20 years.

Q142 Chairman: Roads have always been paid for by the government. The rail system is not paid for by the government. Should it be?

Mr Crow: Yes.

Mr Linington: We are a maritime union.

Q143 Chairman: It is a general question. Mr Williams?

Mr Williams: Absolutely. On the question Mrs Ellman was asking about the evidence and the economic issues of freight transport, I would refer you to a report done by the Herriot Watt Museum in Edinburgh in 2002 because that is quite interesting reading on the economic impact of freight distribution and any hiccup or problem that might exist within that network.

Q144 Mrs Ellman: What is your view about skills in the sector? Is enough done to develop people's skills in freight and in logistics.

Mr Crow: The skills are not dynamic. These are professional people, whether they drive a lorry or work on a sea ferry or the railways. We believe that all those skills should be brought together but skills cost money. Some companies see the benefit of investing into skills. Other companies see that there is no point in investing into these skills because they may leave and go to another industry. This is an old idea that was in place with the old British Transport Commission, which coordinated all the activities of rail, road and inland waterways.

Q145 Mrs Ellman: What would you like to see now?

Mr Crow: What we would like to see is a national freight corporation owned by the government.

Q146 Chairman: Short of that, which I do not perceive to be upon the immediate horizon, what else do you have in mind?

Mr Crow: If we cannot have that there has to be regulation on the basis of strategic decisions. Do you allow for bigger lorries to go on the road which are a greater environmental problem or do you say that the transfer of that freight should be moved from A to B? The question you asked earlier on was about getting back to where we were years ago. That is not on the horizon either because the manufacturing industry in this country has nearly been obliterated. The stuff that is moving around Britain in the main is foreign trade. There is a bit more exported coal being moved at the moment by rail but that is on the basis of foreign coal. We could have a situation where clean coal may have to be used again some time in the future and there will not be an infrastructure to move it.

Q147 Mrs Ellman: What are the key areas where you think the government should do more on infrastructure development?

Mr Crow: We would like to see railway links to ports. We believe the links to ports are very poor. Secondly, we would like to see more high speed lines that can take freight. At the moment every train operating company wants to move passengers on the same network that freight has to be moved on. If you move freight at a certain time of day, it costs you more on access charges so it goes against moving freight in the day time and towards moving freight

in the evenings. People want their goods tomorrow so you have a conflict of interest between moving passengers and moving freight. Therefore, people go to the road because it is cheaper. It may be cheaper but what is the environmental cost overall to the people of this country, to the environment and the world in general?

Q148 Chairman: What is your alternative to the problems of freight access charges? If you are saying that we cannot use it because there is going to be a problem both with just in time delivery and also in the cost of access charges, what is the alternative?

Mr Crow: The problem is it is going to be very hard to regulate unless there is some kind of decision making by the government.

Q149 Chairman: They are going to intervene directly in market conditions of moving freight by deciding what time it should be moved and the conditions under which it operates?

Mr Crow: That can be explained to people. If you go to certain parts of the country like we were in yesterday, the west country, they are up to their hips in water and being told it is all down to global warming. They are quite happy to have a change of thinking if you explain to them that if we redistribute the way carbon emissions are taking place. It has to be a total change of thinking in the way we move freight.

Chairman: I do not think that quite comes into the sorts of things I was asking about.

Mr Leech: You appear to be making a case for a dedicated rail freight line.

Chairman: He did not say that.

Q150 Mr Leech: Is that the point that you are trying to make, that there should be a dedicated rail freight line?

Mr Crow: It is going to be very hard to have a dedicated rail freight line. The reason why it is so easy to move freight on rail is like it is so easy to move freight on road, because you have a lot of veins and arteries which are roads that get from A to B. If you just make one dedicated rail freight route, you only can use that rail freight route. If you wanted to go for example from Glasgow to London, there would have to be a number of freight villages up and down the length and breadth of Britain for the freight to move from A to B. I would like to see a larger railway network which can deliver passenger services and freight.

Q151 Mr Leech: Is there an issue about reprioritising how decisions are made about passengers coming first and freight coming second?

Mr Crow: That is the problem. We had the Strategic Rail Authority that gives no strategy at all. What we have now is a government that does not give any strategy. Basically it is do what you want. We want someone to take control over the passenger network and the freight network.

16 January 2008 Mr Bob Crow, Mr Andrew Linington and Mr Dave Williams

Q152 Mr Hollobone: Mr Crow is keen to see a national freight corporation. Are there any examples from around the world of countries which have adopted the policy to which you subscribe and from which you feel the United Kingdom could learn a lesson?

Mr Crow: It is difficult to talk about countries around the world. There are countries around the world you could dig out but the reality is we are a bit different on the basis that we are an island. In Germany, France and Belgium, freight goes across borders. We are going to see for example freight being moved more rapidly from France across to Great Britain and back again. The French Government, surely not a left leaning government by any stretch of the imagination, have taken the decision not to build any more roads in the future.

Q153 Chairman: The investment was originally made by a socialist government. I do not see any great investment recently in high speed lines.

Mr Crow: They have taken the strategic decision not to build any more roads but only to build more high speed railways.

Q154 Mr Clelland: Bob Crow mentioned the possible change in energy policy and the importing of more coal and indeed even more coal being extracted here. If that is the case, that coal as has been the tradition would almost certainly be moved around mostly by rail. If more coal is being moved around by rail, that is going to reduce the capacity for the railways to take other freight, is it not?

Mr Crow: We see coal as freight.

Q155 Mr Clelland: In terms of relieving the freight from our roads, that is going to restrict the ability to be able to do that.

Mr Crow: If you do not move it by rail, it will have to be moved by road. If we have nuclear fuel there is going to be nuclear waste which is moved by rail. As a union we are opposed to nuclear power stations but nevertheless if you have nuclear power stations you will have nuclear waste. The safest way to move nuclear waste is by rail and sea and that is what we operate at the moment.

Q156 Mr Clelland: I am trying to assess the capacity of the railways to relieve congestion by taking freight away from the roads. It looks as though there could be new restrictions coming in on that if they are going to have to take more coal, for instance. That is going to restrict taking freight off the roads.

Mr Linington: If you go back in history, at one stage we had huge coal carrying merchant ship fleets. There was big business in moving coal around the country by sea. The sea vision argument remains very valid in this case as well.

Mr Crow: If you put bigger HGVs on the roads you would get fewer vehicles on the roads. That is one of the arguments that has been put up. That is clearly not the case. Every time they have increased the weight for HGVs to go on to the roads it has not decreased traffic at all.

Q157 Chairman: In the absence for the foreseeable future of a national road pricing scheme, should we go back to lorry road user charging?

Mr Williams: Yes.

Mr Crow: Yes.

Mr Linington: We would be supportive.

Q158 Chairman: Is it fair that UK hauliers continue to pay to maintain the infrastructure while foreign operators do not contribute?

Mr Williams: No, it is not fair but again it is about having a strategic approach to the problems which the UK freight interest has, with all its differentials, whether road, rail, sea or inland waterways. We take an equitable approach in dealing with those issues. It is really about coming up with a plan and a strategy which integrates the transport model in the UK. We are an island and we have to do all our importing and exporting and transport of goods the way that we do. I am not going back to the very first question on whether the free market should take a role in that because we have seen the consequences of that in recent years.

Q159 Chairman: Is it important that the Department for Transport has an integrated freight plan? Is that what you are really all saying to us?

Mr Crow: Yes.

Mr Linington: It is absolutely critical.

Q160 Chairman: You are saying that that clarity of view is not so far being expressed?

Mr Crow: No.

Mr Williams: No.

Q161 Chairman: What about the impact on the industry of European policy on freight?

Mr Williams: That is interesting. This may be a slight diversion from the question you are asking and I apologise for that but the European Community and its Commission of course has only recently come up with a strategy for transport and freight transport distribution in the main around the road network. There appears to be an inability on the government's part to involve itself in making sure that that is applied.

Q162 Chairman: An inability or an unwillingness?

Mr Williams: Being a friend of that end of the table I suppose I would have to say an inability.

Q163 Chairman: Why should it be difficult for the British to get involved when everybody else seems to have great fun turning up and putting their ore in?

Mr Williams: We have an awful lot to offer in that regard. They always value our view.

Q164 Chairman: Why has it not been given? You are telling us there is an inability. Why?

Mr Williams: The government does not want to.

Mr Linington: It is because we have seen time and time again that the government argument in policy terms seems to be leave it to the market. They do

16 January 2008 Mr Bob Crow, Mr Andrew Linington and Mr Dave Williams

not seem to want to have that kind of strategic direction that other EU Member States seem to be prepared to have.

Mr Crow: How do you regulate that when the European market stands for free trade?

Q165 Chairman: We are now preparing a fifth rail package and there is no very clear indication that the first one is working. What assessment would you make of that?

Mr Crow: We believe that European Directive 94 was an absolute disaster. We were the guinea pig for the European Union to privatise the railways.

Q166 Chairman: It is not just that the government is not effective at promoting British interests; it is also true that the Commission does not understand the implications of the United Kingdom freight industry?

Mr Crow: I think the Commission does understand it and what it wants to do is to turn the free market into exactly what it means so that people go out there and challenge what work you can get and move what you want to move.

Q167 Chairman: Mr Linington will tell you that if the Commission is that committed to a free market it does not seem to be bringing it in in cabotage. It certainly does not seem to be bringing it in in terms of ports. It does not seem to be bringing it in in terms of anything else in maritime affairs.

Mr Crow: In their words, not mine, they use the word “liberalisation”. We see liberalisation as being free. It is not free for us to buy. It is free for big business to buy and they have liberalised all the ports in the main, except for the big campaign that we had against the liberalisation of ports. That is what they want: complete liberalisation of all our public services.

Q168 Chairman: What steps should we take to improve safety for drivers, particularly in road haulage?

Mr Williams: The very first thing we need to establish—again, back to an earlier reference to us having a consistent policy and the government needing a consistent policy, and I do not want to use words which may be deemed to be too strong but the implementation of the Working Time Directive needs absolute clarity and enforcement in ensuring that drivers are not working the sort of hours—

Q169 Chairman: Is it working or not?

Mr Williams: It is not working.

Q170 Chairman: Why? Because it is not being enforced in this country?

Mr Williams: It certainly is not being enforced and the evidence would suggest that there is a clear case. Again, this is a word I do not want to use but I am going to have to. The cheat that was introduced as part of the introduction of those regulations, where a driver effectively can be at work for anything up to 15 or 16 hours a day, is something which has

cheated an awful lot of drivers into believing that nothing is going to change. The intention of the Directive was on the basis of health and safety. It was to ensure that drivers received proper rest from the job that they do. The flexibility which was included has been exploited by employers and others. It has effectively cheated drivers and drivers find themselves in a position where they are obliged virtually by the nature of their employment to do as they are told. Because of the constraints and the pressures that are put on them to get the job done, drivers find themselves obliged to do what quite clearly the legislation intended them not to do. There is a complete and utter disregard, in my view, for the issue of rest of proper, structured rest facilities particularly in the UK. I have evidence only recently of a truck stop being shut down in the West Midlands outside Wolverhampton and the owners of that truck stop selling that land for private development, removing one of very few rest facilities that a driver can depend on to take adequate rest. That charged with the obligation virtually of drivers to sleep at their workplace, to sleep in their cab, has no regard at all for what the intention was of the legislation, to provide a safe working environment for professional drivers.

Q171 Chairman: If the cost of land is going to continue to rise which, apart from a few hiccups, it appears to be prepared to do, who then has the responsibility of providing those sorts of truck stops? A local authority? A government, which would lead to presumably making it revenue neutral? Whose responsibility is it to ensure that the enforcement of road traffic regulations means that there are suitable stops of the kind that you are talking about connected with the motorway system?

Mr Williams: It has to be the government that takes the ultimate responsibility. They can share that with whoever they want and they have the power to do that, whether it is the industry itself or indeed local authorities. The only consequence of the current position is that the driver himself, the professional driver who does a good day’s work for not an awful lot of reward, finds himself in the position where he has to do that bit more. It is certainly a major issue for road transport operators and something that the government and whichever other partner needs to be involved in so that we can see some delivery. Otherwise we will continue to see failure by the industry itself to recruit new young people, our own people, into this industry. The average age of a driver in the UK is about 56 or 57. An awful lot of drivers do not reach retirement age. The sorts of pressures that are put on drivers, quite frankly, are deplorable and the image of the industry certainly is not helped by the sorts of conditions that our members and drivers generally are faced with.

Mr Linington: Everything you have said about lorry drivers you could say about shipping: pressures, excessive working hours, the problems of

16 January 2008 Mr Bob Crow, Mr Andrew Linington and Mr Dave Williams

unfair foreign competition. I think there is a tendency sometimes to forget shipping. It is out of sight and out of mind.

Q172 Chairman: Not in this Committee.

Mr Linington: I am sure. It is really important that if we are considering the working conditions on land we should also give some attention to the

working conditions at sea. The momentum towards shifting freight from land to sea is very much environmentally driven. We would be totally undermining that if we are just shifting the freight onto flag of convenience rust buckets with a greater propensity to sink or run aground or whatever.

Chairman: Gentlemen, you make a compelling case. Thank you very much for giving us very useful and constructive evidence.

Wednesday 6 February 2008

Members present

Mrs Gwyneth Dunwoody, in the Chair

Mr David Clelland
Clive Efford
Mrs Louise Ellman
Mr Philip Hollobone

Mr John Leech
David Simpson
Graham Stringer

Witnesses: **Mr Martyn Pellew**, Group Development Director, PD Ports Limited, **Mr Frank Robotham**, Group Marketing Director, Peel Ports, **Mr David Whitehead**, Director, British Ports Association, and **Mr Richard Bird**, Executive Director, UK Major Ports Group, gave evidence.

Chairman: Good afternoon, ladies and gentlemen. I am sure those of you who have been here before know our ground rules. The microphones in front of you record your voices, they do not necessarily project your voices, so we are going to need a little bit of voice from you, but we have one little bit of housekeeping first to perform. Members having an interest to declare. Mr Clelland?

Mr Clelland: A Member of UNITE.

Graham Stringer: A Member of UNITE.

Clive Efford: A Member of UNITE.

Chairman: ASLEF.

Mrs Ellman: A Member of UNITE.

Q174 Chairman: Gentlemen, I am going to ask you first to identify yourselves. If there is anyone who wants to start off with a few general remarks, perhaps you would indicate. If you agree with one another, please do not repeat what somebody else has said. If you disagree, please seek to catch the Chairman's eye. Can we begin, on my left and your right, for the record?

Mr Whitehead: I am David Whitehead. I am Director of the British Ports Association.

Mr Pellew: I am Martyn Pellew. I am the Group Development Director for PD Ports.

Mr Bird: I am Richard Bird. I am Executive Director of the UK Major Ports Group.

Mr Robotham: I am Frank Robotham, Marketing Director, Peel Ports Group.

Q175 Chairman: Thank you very much. Does anybody have anything to say, or may we go straight to questions? Thank you. Is the Government's approach to ports appropriate for supporting a healthy United Kingdom ports industry?

Mr Whitehead: Yes, if I can begin, Chairman. We had an interim ports policy statement last July, which pretty much confirmed the status quo, which is that the industry is very much a market-led industry, and that is the situation the industry itself has cultivated over a long period of time. It is strategically and financially independent. There are a few signs that the Government is becoming more interested in the overall direction of travel of the industry and capacity requirements in the future.

Q176 Chairman: Such as?

Mr Whitehead: We have a proposal, something completely new, which is for a national ports policy statement, which will include forecasts for the first time for many years. So we will have some kind of national understanding of requirements, particularly on unitised freight capacity, rail, road and container capacity. That is a very significant stage in change because that, we hope, will feed into the planning process and it is the planning process with which we have a lot of problems at the moment.

Q177 Chairman: Is the Government's support commensurate with the importance of ports in the United Kingdom's economy?

Mr Pellew: I think with the Eddington Report identifying international gateways as being important and the ports policy recognising the importance of the ports in terms of their economics and local contribution to GVA, yes, Government policy is making progress in that area, but I would endorse the point made by my colleague on my right, that planning is the fundamental issue and does not seem to have been addressed in the ports policy particularly, although the recent white paper on Planning seems to be addressing improving infrastructure in particular, but planning in general remains a problem.

Q178 Chairman: Touching on actually what Mr Whitehead said, is there a vision for the development of UK ports at Government level?

Mr Bird: If I can respond on this one, the vision, I think, is a good one in terms of providing a structure for ports to develop. I think it would perhaps be a bit ambitious to expect Government to have a complete vision of how things will look for the port sector in 20 or 30 years' time. After all, who could have predicted 20 years ago the enormous growth of container business from the Far East, for example? So there is a danger of a vision which can be a little time limited. The key thing is that there should be a structure in place which enables ports to develop and invest with confidence, and I think the Government recognises that. I agree with my colleagues that the ports policy statement and the Eddington review taken together, plus the new planning legislation, do represent a good package which will certainly help for the future.

6 February 2008 Mr Martyn Pellew, Mr Frank Robotham, Mr David Whitehead and Mr Richard Bird

Q179 Mr Hollobone: Several of you have described a situation where major ports on the Continent seem to be getting financial assistance from their governments, whereas you are not getting support from Her Majesty's Government. Would any of you like to enlarge on that?

Mr Whitehead: Yes. There is a systematic method of subsidising Continental ports. Money goes into operational help, help in construction. The cost of that to those ports is that they do not have independence strategically, so Continental ports are very much creatures of government. They also get a great advantage in that road and rail connections are funded publicly, and this is a big issue for us here because there is a tendency now for Government to push responsibility for funding of road and rail back to the ports. So there is an uneven system, a quite fundamentally opposed system in some ways.

Q180 Mr Hollobone: Who are the main culprits? Name names.

Mr Whitehead: Continental ports? Well, they know who they are so it is not particularly embarrassing for them. Antwerp, Rotterdam, Hamburg are good examples of, let us face it, highly successful ports which receive a lot of public funding. Also, they have a very strong rapport and understanding with the government about what their development plans are and they link in very effectively with other transport plans.

Q181 Mr Hollobone: Should the European Union be intervening to ensure that such state subsidy does not take place on Continental Europe, or should Her Majesty's Government be doing more in this country to level the playing field?

Mr Whitehead: I think we can do more. I think the European Commission can do more to actually identify where the subsidy takes place, but we have a fundamental difficulty in that most of this subsidy is quite legal and above board because it comes under the banner of public infrastructure and Member States can fund public infrastructure. So we have a kind of legal difficulty in really challenging it and making a great change to the system at the moment.

Mr Pellew: I would like to give a slightly contrary view about some of the aspects, which is that at the moment it is undoubtedly UK ports which are out of step with the bulk of the rest of Europe, as I understand it. I work in an organisation which has port operations in several Continental countries—Spain, Belgium, Italy, Poland and Finland, for example—and there is a difference in the approach. The point I would make is that this Committee is looking at integrated freight transport, looking for improvements in efficiency and trying to minimise the environmental impact. If we continue to do things the way we have always done them in this country, we should not be surprised if we continue to get the same results as we have had. With regard to ports policy, that will continue to lead to migration of economic development into the South and South-East. It will lead to port expansion and the necessity to improve road and rail infrastructure

in the South-East, which requires construction jobs in the South-East, leading to more jobs, more housing, more schools, more education, et cetera. So if we are going to change the way in which we look at integrated freight policy to improve, in particular modal shift to reduce congestion, we probably need to do things differently in this country. Rather than expecting the Continent to move to our model, perhaps we should look at moving to the Continental model.

Q182 Mr Leech: You say if we are not to just allow the expansion in the South-East the Government needs to take a more hands-on approach effectively, but when we have spoken to shipping companies in the past they have said, "It doesn't really matter what you do, they'll still choose to use the South-East." What is it you think could be done which would actually make a significant impact on the shipping companies to make them change their attitude towards just coming to the South-East?

Mr Pellew: If I may, Mr Leech, may I confirm that the ships will need to come to the South-East for the best possible result in feeding to the South-East those containers, for example, or those cargoes which are destined for the South and the South-East. But there is an alternative to look at the better and wider use of regional ports. My colleague on my left represents ports in the North-West and I represent ports in the north-east of England. There is an opportunity to use ports on a regional structure so that you are delivering, for example, northern cargoes to northern ports to reduce the road or rail infrastructure use by cargoes going to meet the needs of Northern consumers and retailers. That is what I mean by that. I am not saying you do not allow cargoes on ships going to the South, but you spread the load between the North and the South. The one element of the infrastructure which would do have is the sea, which is available now. Roads and rail require a lot of investment to increase capacity and will take time. The rail network, for example, typically takes five to six years before you get very much implemented, whereas the sea has a lot of capacity right now and the ports on a regional basis can take expansion.

Chairman: Now you have started some hares running here. Mrs Ellman and Mr Stringer on this.

Q183 Mrs Ellman: Peel Ports have suggested the development of Port Salford as part of a way of developing the regional ports. What sort of role could the Government or other public bodies have in supporting a venture like that?

Mr Robotham: We have got the planning application in for Port Salford now, which is a big inter-modal terminal distribution logistical site at the far end of the Manchester Ship Canal, and we see Port Salford linking in with the Port of Liverpool. To go back to your question about southern ports and shipping lines, basically you are talking about a few shipping lines who are heavily involved in the Far East trade, who operate Post-Panamax vessels,

vessels which cannot go into Liverpool at the present moment until we have a Post-Panamax terminal. Once the ports and the regions have –

Q184 Chairman: That is because of the draught and the size of the ship?

Mr Robotham: Yes. So once the ports and the regions have the capacity in terms of size and depth of water, that is when choice comes into play. That is when the market forces start to bear shape. So to assume that people like Maersk or P&O all now have the same policy with the shipping lines, that was categorically a one-sided view of self-interest. Once we commit ourselves to doing the Post-Panamax terminal, the market is saying, “Here we have the capacity to be able to make a major change to Far East trade coming into the north-west of England. We are making that commitment and the impact of that is very, very clear. Straight away, if we build that terminal and ships from the Far East could come to Liverpool, that means that cargo is no longer going on rail and road infrastructure in the south of England, it is coming to the North-West and it will travel most probably no more than 60 or 70 miles to go to its point of origin or point of destination. So in a single move of investment we have created a tremendous modal shift. The one thing about it is that we are making that decision, we are putting the infrastructure in and we are not getting any support for it. It is most probably the biggest project in modal shift in the UK at this moment in time. Then they are linking it into the purchase or the development of the Ship Canal and, as you have seen, what we have done recently is we have started a container barge operation moving containers from Liverpool up the canal to Irlam as a precursor to Port Salford, supported by people like Tesco, to show our commitment to modal shift even regionally. What we would ask the Government to do is to recognise those types of developments in a regional context. It is a major bonus for environmental change, it is a major bonus for reducing costs for industry and it helps the regional economy by making industry more competitive.

Q185 Chairman: But you are also making the point that, of course, you have taken that decision as a company?

Mr Robotham: As a company.

Q186 Chairman: So you are not requiring Government to take those decisions for you, you have made it very clear you are taking that decision?

Mr Robotham: Yes. The only thing we do get concerned about is the fact that in the past we have seen an awful lot of investment in road and rail infrastructure to support our southern competitors, which we believe creates the M25 effect. It allows the shipping lines to adopt this southern port policy approach, and of course in that situation the market really is not working.

Q187 Graham Stringer: That is really interesting answer because you seem to be saying that it is lack of capacity which is driving the imbalance of trade

into the South-East as opposed to other English regions. What are the issues around the economics of taking a ship an extra, whatever it will be, 250, 300 miles, and of the logistics of splitting cargo? Are they factors or are these decisions determined by the capacity in the harbours and ports?

Mr Robotham: In that situation we cannot assume that every shipping line has the same approach to working its business, because our shipping lines culturally operate differently and some shipping lines will take a more radical approach to the market compared with others. So we expect in our position, even building the Post-Panamax terminal, that there will be some major lines who will stay with a southern approach, but there will be other major shipping lines who will approach the market differently by recognising the fact for the first time—and the responsibility is on ourselves, for us to put the investment in to give them an opportunity to come to Liverpool. Now, we would not spend or invest in £100 million plus if we did not think it was going to work. Why do we think it is going to work? Because we believe, with the customers we already have in our port and the relationships we have with some major lines, that we will get that support for ships to come out of the Far East and into Liverpool for the appropriate level of market share. It is not a question of splitting between Southampton or Felixstowe to Liverpool, it is boosting a market opportunity to be able to serve that market, (a) to get a better freight rate, and (b) to reduce transport costs and equipment utilisation costs. In some cases that will be the determinant to make a decision to come to Liverpool. We are not going to change the world, but we will start to win back the business which should be rightly handled in Liverpool for our hinterland.

Mr Pellew: If I may, I can give some help, perhaps, on the financing. The issue about the cost of ship sailing deviation—and obviously I am not as familiar with Liverpool I am with the north-east of England, but if you talk about the fact that you are taking a large ship to the North from one of the southern ports, you are probably talking about an extra eight to twelve hour sailing deviation time, the amount of extra time the ship has got to travel. That will probably cost of the order of US\$20,000 per hour. For the eight extra hours you might have a cost running at US\$160 to maybe \$200,000, normally pricing in dollars. If we halve that to get to pounds sterling, £80—£100,000. If you are moving, let us say, 1,000 containers and you are able to save £100—£150 per container because you are saving at least 100 miles each way because you are not driving to Leeds from Felixstowe or Southampton, or from the Thames or you are going to Manchester, Leeds or Newcastle and you are saving at least 200 miles. You could typically say the variable costs of road transport are about £1.30 for the derv and/or the driver’s costs, so each way you are saving £1.30 x 100 = £130, and that is what you measure against it. So there is a costs saving. The proof of that would be, for example if you look at Asda. Asda has put a portcentric logistics warehouse for importing general merchandise on the Tees. They are saving,

6 February 2008 Mr Martyn Pellew, Mr Frank Robotham, Mr David Whitehead and Mr Richard Bird

they claim, four million lorry miles per annum doing this, which I would evaluate at being somewhere between 4 and £5 million in terms of saved costs. There are other benefits for them doing it by moving product cargo to the North. Labour rates tend to be cheaper in the north-east of England by about £3 an hour and lower land costs, because it is polluted land being brought back into re-use as opposed to greenfield land being developed in perhaps the New Forest or somewhere like the wheat fields of Suffolk. Because you are bringing back that land, the land tends to be cheaper to develop on. So you are saving in terms of both the lorry running and of the warehousing costs offsetting the shipping deviation costs. Hopefully, that gives you a bit more understanding of the facts and figures. I would say typically you can save at most £200 per container by moving that way. There is a loss of time, but you are making up for that in a saving of cost.

Graham Stringer: That is very helpful.

Q188 David Simpson: Could I just go back a step in relation to the planning? Someone said at the very beginning, I do not know who it was, that they were disappointed in the policy but the white paper was more encouraging. In Northern Ireland some of our ports are looking at trying to expand and we have issues with planning, and I want to see if there is a parallel. The issues we are facing in Northern Ireland are environmental issues in relation to, you know, the bears coming in. What specifically are the difficulties with the planning issue that you have?

Mr Pellew: The problem with planning tends to be the length of time it takes. The reason it takes such a long period of time is that there is a statutory consultation process, with its ability to raise objections and a relatively slow bureaucratic and administrative process. What I would like to see is a time limit, where the submission of a plan has a set time table. So, for example, it will be resolved within, let us say, a maximum of 24 months. I would prefer 12, but 24 months would seem reasonable. If we take the recent major port planning projects—and I am not familiar with any in Ireland, be it north or south, but if we took Southampton, London Gateway, Hull, Bathside Bay, Felixstowe south and Seaforth and looked at the length of time it has taken between planning submission and the report to the Department for Transport after each public inquiry and then the length of time it takes to receive a decision—so from planning submission, to the paper from the inquiry to the DfT and then to the decision—it typically takes between submission of a plan one and a half to five years, with four plus years being typical, and the start time from an inquiry to a decision takes between one and four years, typically two and a half years. That is between the start of an inquiry and getting a decision from the Department for Transport for approval and I have given you six examples there. In our own case—and, if I may, I would like to quote—we have had a deep sea planning application in for a Post-Panamax terminal submitted in April 2006. We have had no objections outstanding –

Q189 Chairman: You talk about “our”. Exactly where are we?

Mr Pellew: This is in Teesport in the north-east of England. We are looking for a 1.5 million TEU container terminal.

Q190 Chairman: I thought you could already handle quite a lot.

Mr Pellew: We can handle ships up to about 2,500 TEU. We would like to be able to take the Post-Panamax ships at 6—8,000 TEU, for which we need a deeper berth pocket. The planning application has been outstanding since April 2006. Since September last year 2007 there have been no known objections, so there is no known reason why there should be a public inquiry, yet we still do not today have a decision, twenty months later, after submitting our planning application for a harbour revision order.

Q191 Chairman: You got your little bit of publicity in there, Mr Pellew, but I am going to come back --

Mr Pellew: It is about the length of time is the point I am making. I am giving you concrete examples.

Chairman: I understand that, but I do not want to get off onto that just yet because we will come back, I suspect, to planning.

Q192 Mrs Ellman: The new Planning Bill currently going through Parliament will address the position. Is that going to solve the problems?

Mr Pellew: We hope.

Mr Bird: Certainly as it is currently drafted it should, because there are timetables actually on the face of the bill which should help to speed up the process considerably. Indeed, I think the overall target is nine months from submission of application through to the decision by the Infrastructure Planning Commission, so clearly against the figures Martyn has given that represents a significant improvement. Clearly, if those timetables were to disappear from the Planning Bill then it would be much less attractive. This, of course, just applies to England and Wales, not to Northern Ireland.

David Simpson: No, unfortunately.

Q193 Mrs Ellman: The new Planning Bill with the new proposals for deciding major infrastructure schemes will be taken against the background of national policy statements. In drawing up a statement in relation to ports what kind of consultation would you expect to have?

Mr Whitehead: Well, a lot, because it is a very critical decision and agreeing on the rate of expansion of each sector will have much more significance than it has ever had before because it leads into capacity. We have been told there will be a period of consultation, I think beginning in the summer, but there is a long track record of people forecasting freight. We are not starting from scratch here and in the policy reviews the Government has published there are figures there already indicating rates of expansion. If I may just pick up briefly on a point about this Planning Bill, as has been pointed out, it is about very large projects and a lot of port projects are not so large. The less large projects will probably

6 February 2008 Mr Martyn Pellew, Mr Frank Robotham, Mr David Whitehead and Mr Richard Bird

be handed by something called a Marine Management Organisation, so we have got a kind of split responsibility here and we are just keen that each of these organisations, the Infrastructure Planning Commission dealing with the big ones and the MMO dealing with the smaller ones, has the same sort of level of resources and expertise to process these applications, otherwise we develop a two-tier system.

Q194 Mrs Ellman: Mr Robotham, in the written evidence which came from Peel you spoke about having more connections with regional bodies in taking decisions and you mentioned the regional development agencies. What would you see as their role in this?

Mr Robotham: In one of the pieces of written evidence we talked about freight facilities, grants or a sustainable distribution fund, about how a regional development agency, if it was allocated some funds for the purpose of modal shift, would certainly be an incentive for ourselves to maybe push forward schemes because the relationship between ourselves and the regional agency is so direct. The current system of trying to obtain freight facilities grants or incentives to do modal shift are cumbersome and time-consuming, so you do not bother, you try to get on with the job and see how it goes. That does not necessarily ensure that whatever you are trying to do will actually be a long-lasting solution and whatever we try to do we want it to be a long-lasting solution. So certainly in that sense regional development agency connections would be helpful. But also, simply by the infrastructure that we have, the ports and the Manchester Ship Canal together handle 42 million tonnes of cargo. It is a major gateway for the north-west of England, a major economic driver, most helpfully with relationships with the vast majority of the industry in the North-West, so at some point we influence the North-West economy. That role of the infrastructure that we operate, and operating it effectively, should have a greater dialogue with regional agencies to ensure that the infrastructure we are going to put into place is working in tandem with the rest of the region and national infrastructure.

Mr Pellew: If I may address the same issue as Mrs Ellman. The Sustainable Distribution Fund, as I understand it, had a budget in 2005–06 of £10 million and £12 million the following year. The amount of money which was allocated to road was £1.5 million, water £7 million and rail £2 million. Just to put that into context, you could not improve the roundabout outside Teesport for £1.5 million, just one roundabout. We are not talking about an integrated freight strategy with these sorts of sums of money. If you look, on the other hand, addressing the regional opportunity, at the Regional Transport Fund, which has traditionally been allocated to the Regional Assembly, I know (as my colleague here) the North-East better than anywhere else. The Regional Transport Fund (which does not include heavy rail in the first round of activity) has a much larger budget, in the hundreds of millions when it is allocated out. I think it was £400 million in the

North-East, but I stand to be corrected. That is a much larger sum of money with which to start to address some of the infrastructure problems, road, rail and coastal and inland waterways. So I think one of the other issues is not only the Sustainable Distribution Fund but linking together into a joined up pot some of these things and then providing them out to the regions through, perhaps, the RDAs because they are now taking over responsibility for regional transport. They could decide on what are the priorities for strategic elements of the North-East or the North-West, or whatever the region may be, so that we could link the funds together into something which was, hopefully, administratively far less cumbersome. I can only endorse what my colleague said here. Teesport, as the second largest port and PD Ports as the third largest port operating group behind Peel, we have not submitted any applications which have got anywhere with any of the existing funds. It is just too difficult. We just get on with the job of running the port.

Q195 Mrs Ellman: Are there any other views on the Sustainable Distribution Fund and whether it is adequate, or on the mechanisms for getting it?

Mr Bird: Very quickly, we think that there could be more weight given to short sea/coastal shipping schemes than is the case at the moment and it is reassuring to hear that water actually commands a large proportion of the total budget than other modes. Nevertheless, it can provide a good alternative to taking goods by road. It is disappointing that this is not recognised more clearly in the DfT's response to the Eddington Report, so we certainly hope that could be given more weight as the fund is developed.

Chairman: I want to come on to Mr Efford now, if I may.

Q196 Clive Efford: The Government seems reluctant to engage with the European initiative Motorways of the Sea because it would interfere with the market. Do you think they are right to take that approach?

Mr Whitehead: The Motorways of the Sea is another example, a bit like our own Sustainable Development Fund. It is very hard to apply. It is a very bureaucratic system. The paperwork involved is very excessive. I think the other issue with Motorways of the Sea is that it is really to try and get goods off roads involving two or more Member States. The UK, being an island, does not really fit the criteria particularly well, so I think we have an inbuilt sort of prejudice against us in that sense. The stuff is coming in largely by water anyway. For some EU Member States there is a genuine choice between road, rail or water.

Mr Bird: Could I just say in addition to that, I think there is a danger of the Commission picking winners here.

Q197 Chairman: Not winners, surely, Mr Bird?

Mr Bird: "Winners" in inverted commas, perhaps I should say, because I do not think this would work necessarily to the advantage, for example, of either Teesport or Liverpool, which might not be seen as

6 February 2008 Mr Martyn Pellew, Mr Frank Robotham, Mr David Whitehead and Mr Richard Bird

being on major “routes” but nevertheless for the good arguments which have been put forward could well be developing trades which actually were worthy of support. So I just think there is a danger of some inflexibility, of routes being selected in Brussels which might not actually reflect the way the traffic is moving or developing for the future.

Q198 Chairman: Mr Pellew, you wanted to add something to that?

Mr Pellew: If I may. Motorways of the Sea, as has been mentioned, has laudable objectives but practically it is not delivering anything. If we wanted to address some of the issues about changing modal shift in this country, then there is the opportunity to stop the amount of traffic coming through the shortest distance route, which is predominantly road-based through the Dover/Calais, the Channel Straits.

Q199 Chairman: Mr Pellew, you, as a great advocate of free enterprise, are not suggesting that the Government should begin to take interventions in transport, are you?

Mr Pellew: What I am suggesting is that perhaps we might look at a level playing field with regard to such things as the pricing and taxation of derv and/or Vehicle Excise Duties such that at the moment there are a great many foreign hauliers coming into this country carrying cargoes using the shortest route available, which actually puts a lot of traffic into the south-east of England from Dover.

Q200 Chairman: Yes, but in order to do something about that, as you know the Government abandoned one scheme and is now looking at another. You are not really suggesting that an alteration of taxation on derv would change people using the short sea route, are you?

Mr Pellew: I think it is one of a number of options, such as road pricing as well as looking at the rates of tax on derv.

Q201 Chairman: I think we should put you in charge of transport, Mr Pellew!

Mr Pellew: I am always available for a new opportunity.

Q202 Chairman: You might not necessarily last very long, but it would be very good value while you did!

Mr Pellew: The current incumbents do not always either!

Q203 Clive Efford: Is it down to the European Union or is it down to the Government to determine what it makes of the Motorways of the Sea?

Mr Whitehead: If people want to apply for it, the Government is very much involved and I have to say that again getting Government cooperation in schemes that get money out of the Commission is not an easy thing to do.

Q204 Chairman: In what sense, Mr Whitehead? Nobody minds you having a moan, but tell us precisely why?

Mr Whitehead: They do not give a lot of support in finding your way through the bureaucracy and the paperwork. We just do not have the resources within the DfT to do that kind of thing and I think other Member States have a lot of resources dedicated to that.

Q205 Clive Efford: Tell us what stands in the way then of making more of the Motorways of the Sea and linking up ports, even some of the small ports, to the North? What is it the Government would have to get out of the EU in order to create a system which would provide greater distribution around the British Isles?

Mr Whitehead: Perhaps we have a fundamental difficulty. The Government is not necessarily looking at that greater distribution, I think, in the sense you are talking about and there is a suspicion that any grant assistance in this way might distort the market. There are big issues with possible distortions which arise out of these schemes. It is not a UK way of doing things.

Clive Efford: What does that mean?

Q206 Chairman: Now I am confused. We want the money but we do not want it given to us the way they are handling it at the moment because there are too many forms attached?

Mr Whitehead: Well, it is a difficult and bureaucratic system, as I said.

Q207 Chairman: I do not think the European Union is noted for either its efficiency or its streamlining of bureaucracy, but perhaps I have missed something.

Mr Whitehead: I do not think you missed anything. I think I have said it already, the difficulties of applying for the scheme, but I think there is a fundamental difficulty within Government here. Giving any sort of grant assistance in connection with a port creates great difficulty and difficulties of distortion of competition.

Q208 Clive Efford: I am tempted to ask you to define the UK way of doing things, but I think –

Mr Whitehead: Well, the UK way of doing things is to largely leave it to the market.

Mr Robotham: To some extent it is not necessarily a UK port issue. The incentive really for Motorways of the Sea is for the shipping lines who believe they can make use of such incentive to identify a route which will give them the benefit, and certainly we have got one major customer who is involved in a motorway application specifically to get into a market whereby he will transfer cargo from road to sea to use one of our ports.

Q209 Chairman: Is that a European-based company, Mr Robotham?

Mr Robotham: It is a UK-based company involved in European transport.

6 February 2008 Mr Martyn Pellew, Mr Frank Robotham, Mr David Whitehead and Mr Richard Bird

Q210 Chairman: So it is a British company which picks the terms and conditions under which the grant could be given and they are looking seriously at whether they can do it, is that what you are saying?

Mr Robotham: Very seriously.

Q211 Chairman: So it cannot be all that difficult really when there is money at the end?

Mr Robotham: Personally, I think one part of our responsibility is to encourage some of our customers to look at the ideas of Motorways of the Sea. So give them some of the ideas to say, "Have you considered this as a way of encouraging traffic and modal change which could be to the benefit of your business and therefore our business?" To some extent we have, I would say, a bit of a closed mind to this because at the end of the day our port industry is different from Europe. Our port industries are businesses, so we are running them as businesses, whereas our Continental colleagues have a slightly different approach to their infrastructure and are more used to this element of bureaucracy than we are. So we might not spend as much time on it, but our response really should be to encourage our customers to at least look at this incentive to see if it meets with the needs, and certainly we have got one major customer who is taking the Motorways of the Sea initiative very, very seriously in modal shift because they believe that is to their economic advantage.

Chairman: Can we move on?

Q212 Clive Efford: The Road Haulage Association suggests that rather than weighing lorries when they arrive in the UK they should be weighed at the port of embarkation and that this would reduce delays and problems. Do you agree with that?

Mr Whitehead: Yes, can I take that up, because we do have a lot of problems, especially with real hotspots of rail/road traffic. Dover is the best example where they carry out a lot of vehicle checks. They weigh the lorries, they carry out checks, and it has been a great difficulty to accommodate those checks, so it would make sense to do something at the port of origin. I think there is a connected issue in that there is an issue of some substandard lorries making their way across a lot of countries and eventually being detected here, and it seems daft that they are able to do that. They should be detected in the countries they originate from. So I think there are some market reasons here and some basic safety reasons for doing that.

Q213 Clive Efford: Just to press you a little bit more, you are suggesting that it is not just at the ports, there needs to be more enforcement even further afield?

Mr Whitehead: I think there should be, yes, because with some other Member States we have serious problems with some of the standards of the lorries.

Q214 Chairman: Could you name one or two, because it is a secret and I think if we are ever going to have any impact we need to have evidence?

Mr Whitehead: Yes. The Republic of Ireland is an example. We had a report from VOSA not too long ago and I know the Government here has tried to make this point to the Irish Government that it is not acceptable to have lorries of this standard coming over, but that is a matter for another time.

Q215 Chairman: So where would they be picked up, at Milford Haven or in Liverpool?

Mr Whitehead: It tends to be on the west coast, yes, Holyhead and Liverpool in particular. There is a lot of VOSA checks there.

Q216 Clive Efford: Is this a general thing, or are there specific rogue traders that you would be concerned about that could be targeted, perhaps, for inspection?

Mr Whitehead: I think targeting is a good expression to use. I think there could be some sensible targeting of particular countries, I suppose, in doing this and making representations to those countries to do something about the standard.

Q217 Clive Efford: What about the impact on the ports of origin? Do you think checking the lorries before they embark has implications there?

Mr Whitehead: Possibly, but I think this is an issue which should be taken outside the ports, quite frankly, checks carried out outside the ports is a good way. Checks tend to be taken at ports because it is a convenient place to take them, but there are other places.

Mr Robotham: In Liverpool we have customers operating Irish Sea services and I am certainly aware that one of them weighs all its vehicles prior to loading them onto vessels, also to understand how much weight they are putting on the vessel itself. So it is not to check the vehicle per se for regulatory purposes but to make sure they are working their ships in a safe way in terms of loading capacity, and that is just done as part of the process of booking the vehicles into the ship.

Q218 Chairman: Does it work in reverse order? I can understand if you are loading, obviously you must know exactly what you are doing, but are you suggesting it works in reverse order from Irish ports for your ships?

Mr Robotham: I am not aware of what goes on in Dublin or Belfast, I am sorry, in terms of weighing.

Q219 Chairman: But you must have agents in the ports who can tell you whether or not you are operating a nicely balanced cargo, or are you thinking of losing a few for the insurance?

Mr Robotham: No, the logic will be that if a line is operating between Liverpool and Dublin and weighing vehicles in Liverpool, it will almost certainly be weighing vehicles in Dublin as well.

Chairman: That is what I need to know.

Q220 Clive Efford: Are the plans to improve safety at ports as outlined in the *Ports policy review interim report* likely to result in significant improvements?

6 February 2008 Mr Martyn Pellew, Mr Frank Robotham, Mr David Whitehead and Mr Richard Bird

Mr Bird: Shall I respond to this? We have put a lot of effort in, as ports, to improving safety over the last few years and on our account we have set up the Port Skills and Safety team, and we are now in the process of updating that and also making a closer link with the shipping side so that we can deal with any overlapping issues more effectively. As far as Government policy is concerned, we are obviously very interested in what the contents of the forthcoming bill are going to be, the proposed Port Safety and Marine Navigation Bill, and we hope this will be an opportunity to streamline some of the processes at the moment. We know there are also issues about statistics which have concerned the Committee, and they concern us too. The new Port and Maritime Safety Partnership which has been established, which also involves members of the unions, will be an opportunity to have a look in more detail at the position, and the HSE are also members of this partnership as well. So we do hope this will give us a better basis for actually measuring how we are doing, but we are confident there has been a substantial improvement over the last few years.

Q221 Clive Efford: What about measures to be taken in the future? Are there any specific ones you would like to see?

Mr Bird: We believe that the Port Marine Safety Code is the right way of approaching the maritime side of this and we are pleased that the MCA is now conducting verification visits where there are issues about risk and safety systems, and so on, and we would hope to see that being developed in the future. As far as the legislation is concerned, we think there could be more streamlined procedures in the pilotage area, for example, which would mean that there can be a really good balance between the interests of all sides and improving safety.

Chairman: I want to come to Mr Clelland, who has been very patient.

Q222 Mr Clelland: I think most of the points about regional ports have been covered. Just for clarity, from my point of view, what are we saying specifically the Government could or should do to discourage the further concentration of port traffic in the greater South-East and encourage greater use of regional ports?

Mr Pellew: One specific issue is that at the moment the Transport Innovation Fund, which is one of the key routes, is perpetuating the existing productivity and innovation element of it, rather than the road pricing element of the TIF funding. It is incentivising and putting money behind improving the gauge enhancement (i.e. the ability to handle the larger, more modern containers out of particularly Peterborough to Nuneaton and from Southampton up to Nuneaton). This perpetuates continuing traffic from the southern ports. The amount of money which is being put forward for gauge enhancement or an alternative which might be looking at a wagon-based solution, which could be delivered more quickly, by using well wagons or low profile wagons, which enables you to put the larger containers onto the railways, could help regional ports compete

against the southern ports in terms of their ability to move the containers inland rather than use an alternative mode of transport. So, for example, TIF could help promote regional ports as opposed to South-East ports.

Mr Robotham: I do think that a regional policy should also influence regional ports, and we are only talking about one particular settled business really at the end of the day and that is the container business. Okay, to some extent we are entering ourselves, whether it is Liverpool or Tees. We are building capacity to solve the problem. But it has created a degree of frustration that certainly our local regions can see the importance of our two ports and are to some extent strapped by not being able to maybe assist the ports to push forward schemes which would help us either increase capacity or encourage more traffic, to start to have an impact on this modal shift, because one thing is clear: everything we do from the Northern port perspective is going to lead to modal shift. It is going to take lorries off the roads in the South and it is going to take the pressure on rail investment in the South for freight. It is going to be both to the regional interest and the national interest and I think regional ports should be recognised for taking that initiative and supported accordingly.

Q223 Chairman: Is the investment which rail schemes are getting at the moment through the Transport Innovation Fund appropriate investment in infrastructure?

Mr Robotham: In a very cynical way I can say we got £1.7 million for rail infrastructure improvements out of the TIF fund and our southern competitors got £88 million, and I do not think that £88 million is a good investment by the Government.

Q224 Chairman: Let us talk about surface access because, after all, that is what is of very great importance to us. Whose responsibility ought it to be to provide these enhancements to surface access to ports?

Mr Bird: I think it should be the Government's responsibility, as is the case in other countries, as we have noted. It may be appropriate for ports to pay for very local improvements, but I think as soon as you are talking about the national network then it should be the Government's responsibility to finance that. We are pleased that the Department for Transport now seems to recognise the force of this case and there are now consultants at work looking at the way infrastructure is being financed and we are hopeful that there will be a proper policy set out in the forthcoming green and white papers on the next stages of the Eddington follow-up agenda.

Q225 Chairman: Yes. It is a little difficult to understand this sort of quite Janus-like approach because on the one hand you do not want the Government to interfere with the way you run the ports. On the other hand, you want them to finance all the upgrades and yet the commercial benefit would be to you, surely? Mr Pellew, not to you?

6 February 2008 Mr Martyn Pellew, Mr Frank Robotham, Mr David Whitehead and Mr Richard Bird

Mr Pellew: If I could, rather than tackle the last remark first, do it the other way around, which is that the East Coast mainline and the West Coast mainline, for example, in railways or, let us say, the M5, M6 and the M1 and A1 in roads, are by definition national strategic infrastructure.

Q226 Chairman: Rather longer than the average access to the average port.

Mr Pellew: Yes. So the point I was going to make was about the access from the ports, be it, let us say, Newcastle (which is relatively short), the Tees (which is a bit longer), Hull, Immingham, down through to Felixstowe to each get to the East Coast mainline. These are issues where the ports may need to get involved because they are the primary beneficiaries. If I put the road analogy: if the roundabout outside the port has to be enlarged and the port is the major beneficiary of enlarging that roundabout, then it is not unreasonable that they pay. So, for example, as part of getting the planning approval for Teesport's expansion we have a section 106 agreement to put just over 1.5 to £2 million into improving a roundabout just outside the port. On the other hand, why should I have to contribute to, let us say, improving the M62 or the M1? Or in a rail network sense I can understand improving the rail network, as my colleague here has done, to get out of the port of Liverpool and get to the West Coast Main Line, and perhaps from Newcastle to get to the East Coast Main Line from the port of Tyne, or from Teesport to the East Coast Main Line, but whatever happens if we are going to get an inter-modal shift from road to rail then the East Coast Main Line can carry containers to and from Scotland if it has got the right and appropriate gauge enhancement and everybody would benefit, whether it is the ports in the South or the ports in the North-East. So it becomes part of the free market. But if any one person who is the first person to put in a planning application has to pay, then frankly only the bigger will get bigger because only the bigger companies and ports have got the larger amounts of traffic upon which they can levy the cost to get that money back.

Q227 Chairman: The difficulty is that it is an argument which applies, for example, to developers in my constituency, who are being required to put in railway sidings and put an enormous amount of expenditure into connecting with the M6. They could use exactly the same argument.

Mr Pellew: Yes. To connect to the M6, but are they being asked to upgrade the M6?

Q228 Chairman: No, not to upgrade the M6. I will suggest it to the Planning Officer, but I do not think they have done it yet!

Mr Pellew: No. So my issue is that without doubt what should not be down to the ports to develop is the national strategic infrastructure, the M6 in your case, or the East Coast Main Line. In fact the Government/taxpayer paid for the upgrading of the

West Coast Main Line in its entirety. It has not been upgraded at the private sector's or in particular the port's expense to get to W12 gauge.

Q229 Chairman: No, but equally, of course, if we get into this argument you can say that of course railways pay very high proportions of their own support system than people who use the road system do. However, I am not arguing with you, I am actually listening to you, and that is an honour that I do not afford to many men!

Mr Pellew: I am very grateful.

Q230 Chairman: Can we ask you what factors are going to drive future demand for the transportation? Can we rely on the Government's forecasts? Are they accurate? Mr Whitehead, was that a no?

Mr Whitehead: It is a yes. Just to comment on the forecasts and what is going to happen, I think we are going to see a lot more of the same in the sense that it is very clear that unitised freight is going to expand, probably the import and export of cars is going to expand, and we are looking at LNG in ports. They are three specific areas where you can pretty confidently predict there is going to be big expansion. If I could just also put in a plea? We have talked a lot about containers today, but ro-ro in fact is 14% of UK traffic, containers is 10%. In the sustainable transport document the DfT produced last October there was not a single mention of ro-ro traffic. It is very much underplayed because the development connotations are not so dramatic, but it really needs to be there alongside containers because it is a very big element of demand.

Q231 Chairman: Yes. Are you saying that the Government's ports policy is adequate to allow the industry to provide sufficient capacity, or not?

Mr Whitehead: Well, we will see. It is a two-way thing because the industry has got to invest. It has got to invest on the basis that it can get the goods in and out of those ports efficiently. So we are just entering a period where we are seeing this is a two-way deal and we will see whether it continues as a two-way deal and each is playing their part.

Q232 Chairman: I just want to ask you one final thing. We are talking about Panamax in Liverpool and we are talking about very considerable expansion in the North-East. Do you actually think there is any extra need for the Government to begin to involve itself in effect in planning the developments? Would it be helpful if they were to say, "We think the regional demands lead us to suggest that these are the areas in which capacity should be expanded and ports should be developed"?

Mr Whitehead: No, because you cannot have a mix of systems. You either say, "We'll let the market lead this with a better understanding of the market," which is the way in which we are going, or you take it over completely. I think the worst solution is a system where nobody quite knows who is taking the big decisions and who is anticipating demand.

6 February 2008 Mr Martyn Pellew, Mr Frank Robotham, Mr David Whitehead and Mr Richard Bird

Q233 Chairman: So are your Continental colleagues getting an unfair advantage because they have this close relationship with regional and national government?

Mr Whitehead: They do get some unfair advantage, but as I say they are very constrained in some ways in the way in which they plan because they are parts of government.

Mr Pellew: I do not think it is right that the Government policy should be very specific about which ports do and do not expand by location, but I think there are principles of a wider than just transport nature which need to be considered. So if, for example, one is concerned about environmental issues or economic issues, or even social issues between, let us say, the North/South divide identified by the Northern Way with a £30 billion deficit between the North and the South, which is an economic issue and leads to a social argument about social deprivation, health, et cetera, or you have got the environmental arguments about CO2 emissions from congestion, then you can only change things and change the outcome if you change the way we do things. Without interfering with the process of where we allow expansion, there is a danger that we will just see the perpetuation, as I have already articulated, of the use of southern ports, and the bias towards the expansion of southern ports. Shipping

deviation, time and cost, is least if you allowed, for example, just Southampton to expand massively because it is going to take you longer to sail around to Felixstowe than it does to Southampton. Having said that, then you would just end up with one massive port at Southampton by logic, which is perhaps not the right answer because there is no need for the employment necessarily there.

Mr Robotham: Just going back to the forecasts, if the forecasts then are taken as a way of designing port policy in terms of understanding where ports are being developed, so at the present moment people put the emphasis to the south coast ports because of how the forecasts have been given. If the forecast was looked at globally and the Government said, "But how better can we move this traffic around the country and look at the solutions?" which are the regional ports, and those regional ports also have a national involvement in any case, that would be helpful. The Government should see regional ports outside of the South-East as making a major contribution to modal shift, making a major contribution to economic regeneration, and I do not think there is anything which would destabilise the market if the Government recognised regional port policy in that way.

Chairman: Gentlemen, you have been very helpful. Thank you very much indeed.

Witnesses: **Mr Paul Plummer**, Director, Planning & Regulation, **Ms Barbara Barnes**, Head of Customer Service, Network Rail, **Ms Lindsay Durham**, Head of Rail Strategy at Freightliner, Freight on Rail, and **Mr Graham Smith**, Planning Director, English, Welsh and Scottish Railway, gave evidence.

Q234 Chairman: Good afternoon to you. You are all most warmly welcome. Will you identify yourselves for the record, please, starting on my left.

Ms Durham: I am Lindsay Durham. I work for Freightliner.

Mr Smith: Graham Smith, Planning Director, English, Welsh and Scottish Railway.

Mr Plummer: Paul Plummer, Director of Planning and Regulation at Network Rail.

Ms Barnes: Barbara Barnes, Head of Customer Service, Network Rail.

Q235 Chairman: Thank you. Does anybody have anything they want to say briefly before we begin?

Mr Smith: Yes. This examination is a focus on rail freight and rail freight has been one of the success stories of the last twelve years of government policy and private sector involvement. It has grown by 70% and now has an increased market share, 12%, greater for longer distance. The opportunity for rail freight growth is significant. We have not yet seen, I think, a major modal shift from road to rail, but the combination of Government's and Network Rail's focus on the infrastructure and the operators investing in rolling stock, equipment and their resources, when combined with the environmental benefit of freight on rail, means that we have a strong and very positive future.

Q236 Chairman: So are you saying that the current arrangements give us a potential benefit to rail freight transport on a commercially viable basis?

Mr Smith: Rail freight is certainly commercially viable. At the time of privatisation the infrastructure was with Railtrack. The freight operating companies were sold outright, not as franchises. There was significant private investment in locomotives, wagons and terminals. We believe that combination does work and we are particularly pleased to see that Government now recognises the need for increased capacity on the network and is earmarking, albeit a comparatively small sum in railway terms, £200 million to develop a strategic freight network on the UK network in Control Period 4, from 2009—2014.

Q237 Graham Stringer: You said in your introductory remarks that freight on the railways has grown by 70% over the period of this Government. Exactly ten years ago we had EWS here in a rail inquiry and they told us there was going to be a 300% growth. I remember the figure precisely. What has gone wrong?

Mr Smith: That was a statement by the then Chief Executive, Mr Burkhardt, who had identified that at that point rail freight had an 8% market share and had anticipated significant growth in bulk commodities, inter-modal traffic and in traffic through the Channel Tunnel. The issues with the

6 February 2008 Mr Paul Plummer, Ms Barbara Barnes, Ms Lindsay Durham and Mr Graham Smith

Channel Tunnel are well-recorded. We may revisit them today. Like the rest of the industry, we faced a crisis of confidence following the collapse of Railtrack, which actually saw rail freight volumes decline. But we are now seeing that growth again and I believe that 70% growth to date and an expectation from all parts of the industry that in tonne miles terms you will have a 50% growth on today's base by 2014 and a doubling in the longer term. Whilst Mr Burkhardt's forecast has not been met, there is significant growth ahead.

Q238 Graham Stringer: What I am not clear about from that answer is, was the projection then reasonable and it has been knocked off course because you do not have the access you would like to the Channel Tunnel and Railtrack were a disaster, or was it an unrealistic estimate?

Mr Smith: It was an estimate based on a number of things relating to fuel prices, access charges, planning permissions for terminals all going together. It was a high side forecast. It could have been achieved, I think, if all policy matters had come together. They did not. These things tend not to. I think from where we are today, though, that looking for a doubling in the longer term following 70% growth is perfectly achievable.

Q239 Mrs Ellman: Do you agree with the Government and its view that freight is essentially the business of the private sector?

Ms Durham: Yes, we do think it is essentially the private sector. I think customers want to make their own choices as to which port they go to, which operator they use.

Q240 Mrs Ellman: Does that mean nobody sees any role for the Government in it? Network Rail, do you think the Government should have any role to play?

Mr Plummer: We certainly do think the Government has a role in it. There is considerable investment required in the infrastructure, which is there for a long time, to enable the commercially-minded operators to be operating on that. We in Network Rail have, I think, a responsibility as well to be working with the operators to prioritise that investment and to develop a longer term view of the industry together as to what the best way is of developing that as part of the overall railway. Freight is not something which is an add-on. I think it is too often seen as that, but it needs to be part of the development and how we are planning the infrastructure on the basis that operators are then able to market the services that are possible on the back of it.

Q241 Chairman: Ms Durham, do you want to come back on that, because we rather cut you short?

Ms Durham: Yes. I agree with Paul that there is a role for Government investment in the core infrastructure in the country, in the core network, and we very much welcome the announcement by the Government as part of the white paper of £200 million investment to start a strategic freight network in this country, and we hope that will be

sustained into the future because it is important that it is not just a one-off and that as freight continues to grow in this country we can continue to at least retain a modal share on rail and preferably increase modal share by rail, and we need continued investment.

Q242 Mrs Ellman: How should the competing demands of freight and passenger services be dealt with?

Mr Plummer: We have to balance those requirements every day, both in terms of the short-term operation of the network and how we do it and also in terms of how we allocate the capacity that is available, how we develop the network, and it is not just about freight versus passenger (as it is often characterised), it is about different stopping patterns, different services to get the best overall output. I think we try to work very hard across the whole of the industry to get as much as possible a consensus, as much as possible based upon objective criteria and appraisal and evaluation of the benefits. I think now that there is much more recognition of the environmental and productivity benefits of growing freight, for example, and we can bring that into the equation much more now than was the case in the past. But there is a way to go there, I think, in really bringing that together and being able to look at it as a whole.

Mr Smith: There are probably two further issues on that. The first is balancing the needs of different users of the network at times when the network is not working to full capacity, whether that is planned during engineering works or during an incident. A hackneyed phrase is that freight does not vote and by and large a passenger train, however many people are on it, will tend to get priority over a freight train in the event of disruption. We are working with Network Rail to get something more even-handed. Then there is the bigger issue, particularly in the major conurbations, where there needs to be a balance between the growth needs of freight and the growth needs of passengers. That is particularly drawn out in London, where we find ourselves in debate with the promoters of Crossrail and the Mayor's desires for a Metro-type service on the North London Line and south of London as well. The Mayor has got a rail freight strategy for transferring freight from road to rail. We would like to be part of delivering that. It is going to be difficult if there is a priority on capacity increases that goes to the passenger.

Q243 Mr Leech: Given that there is competition between freight and passenger, do you think there is an economic case for a dedicated freight line?

Ms Durham: We do not think that a dedicated freight line is the right answer in this country. We think it would be a very expensive option and we would much rather go down the route which Eddington suggested in his report, that we enhance the existing routes. There are some opportunities with some routes which could be upgraded, routes which are not heavily used by passenger trains, quite a light passenger service. For example, you could get

6 February 2008 Mr Paul Plummer, Ms Barbara Barnes, Ms Lindsay Durham and Mr Graham Smith

all the way from the port of Felixstowe to Crewe not using the West Coast Main Line by upgrading the line via Peterborough, just north of Leicester, and then up to Crewe via Utoxeter. That is actually quite a quiet line and if that route was invested in it would mean that freight traffic could get to Crewe very quickly whilst avoiding the West Coast Main Line.

Q244 Mr Leech: I think you made a very valid point about the fact that freight does not vote and passengers do. Given the competing demands of passengers and freight, how do we reconcile that and ensure that freight gets the precedence it requires to get those sorts of upgrades?

Mr Smith: There is a role for public policy here and for perhaps slightly clearer recognition of rail freight's benefits and in this respect we sometimes have common ground with our colleagues in the road haulage industry who, delivering goods on the motorway, find themselves perhaps occasionally playing second-fiddle to the low occupied private car. So I think firstly public policy recognition that we are not just moving the freight for the sake of it but it is going for energy production, construction, and increasingly for delivery to supermarkets for the consumer. Once you have got the public policy agenda set, I think it is then recognising that there are peak times for passenger travel and there are less important times for passenger travel. We voluntarily stay out of the way of passenger trains during the morning and evening peaks. In return we like to get some access during the day and during the evening. Then, of course, one is into a debate about at what point does Network Rail then get access to the network. Perhaps, looking across the Channel, it is certainly a policy in France that certain engineering work is done during the middle of the day, not long complicated pieces of engineering work but there are blocks taken around 11.00 in the morning until 2.00 in the afternoon, three hours for inspection and patrolling, recognising that is a lighter time of use.

Q245 Chairman: Now then, Mr Plummer, you are our expert, as we know, on projects and organisation. Is that a possible scenario? It is not the way you work at the moment, is it, even though you made a different announcement after our debacle at Christmas and New Year? You do not work on short blocks like Mr Smith is suggesting.

Mr Plummer: I think there is a whole load of things we need to do within Network Rail and working with the train operators to be operationally more efficient, to make better use of the capacity more of the time.

Q246 Chairman: One would hope so anyway, but the specific point of Mr Smith saying he needs to take shorter possessions at different times in order to get through at times during the day?

Mr Plummer: In relation to the seven day railway, there are many aspects of that which are about freight. One of the things we are trying to do, for example, working very much with EWS, is around saying, "Well, actually let's adopt a more systematic, cyclical approach to how we are maintaining the

railway, have much clearer diversions so that you can get through from all of the relevant origins and destinations, so we can provide that service at all times, even though some parts of that route are not necessarily available."

Q247 Chairman: I am going to ignore the implication that you are not working systematically now. I think that would be too great a temptation!
Mr Plummer: A more systematic approach.

Q248 Mrs Ellman: Would you say the Government has an adequate vision for rail freight?

Ms Durham: I would say they do. I think we have seen a step change from the Government in the last few years since the publication of the Stern and Eddington Reports in the autumn of 2006. I think there are several things which need to come together. The investment in the network, which we are beginning to see now. I think there needs to be a more holistic view of planning for new rail freight terminals. At the moment many of the decisions are down to the local authorities, which really do not have the expertise to make decisions about rail freight terminals, and I think we would like to see a more holistic system.

Mr Smith: I think we have got the vision, but converting some of those words into reality and making sure that all Government policy is pointed towards that vision—the various white papers recently acknowledged freight's environmental advantages and the growth, but at the same time there are other parts of the Department who are looking at longer, heavier road vehicles. There is the Treasury, which continues to increase fuel duty for rail freight well above the rate of inflation. There are competing capacity demands where different parts of Government are promoting different capacity projects on the railway. So I think the opportunity to grow freight significantly is there, but every bit of the Department for Transport and the rest of Government has to be aligned rather than there being a small cadre of believers in the basement at Marsham Street.

Q249 Mrs Ellman: Does that mean you would like to see a more integrated freight plan?

Mr Smith: Yes, absolutely, because freight by rail does not just get loaded to rail and then taken off rail and consumed, there are other modes involved from road mode for delivery from bulk terminals—there will be two bulk terminals—and you have been speaking to the port people and ports and shipping is very much integrated with rail, would you not say so, Lindsay?

Ms Durham: Yes, I would. I think it is important to have an integrated policy because every time, as Graham says, we deliver a train there is a road leg at the end and that needs to be taken into account. For instance, with containers currently 75% of containers are moved by road and only 25% moved by rail. In 1996 it was 17%, so the modal share by rail has grown considerably, but I think more could be done to enable modal shift and if it was looked at in

6 February 2008 Mr Paul Plummer, Ms Barbara Barnes, Ms Lindsay Durham and Mr Graham Smith

an integrated way perhaps choices could be made on investments between major road upgrades and rail upgrades.

Mr Plummer: May I add something? I think there is now much greater clarity and a clear view from Government that growth in rail freight is a good thing in terms of environment, productivity, and so on, and that is a very positive thing, but I think we need to actually work much harder to ensure that everybody is aligned on that message. I think all parts of the industry, or some bits of each part of the industry do not quite buy that and we need to really follow through on it. I think we have an objective on the back of that to grow freight. I think to an extent the Government, understandably, has said to the industry, "What is the strategy? How is the best way of achieving that?" and we now need to go back and set out what that would mean over a period of quite a number of years and how we would prioritise the first bit of that in terms of £200 million of money for the strategic freight network. But then there will need to be a commitment, I think, to the next stage of that because that will not be the end of the story. We will only be beginning to address what the longer term infrastructure requirements are to enable a commercially profitable and beneficial industry.

Q250 Graham Stringer: On both the last two points really it is very optimistic. When you say the Government has a clear vision and you are making these projections, will they all be wrecked if the Government allows much larger vehicles onto the motorway system?

Mr Smith: Yes.

Q251 Graham Stringer: So can you qualify the statement that you are happy about the future in some way, because that must be a real threat to everything that you have said?

Mr Smith: It is.

Q252 Graham Stringer: And the Government is considering these things, is it not?

Mr Smith: For EWS we have looked at the bulk markets and we see a loss of nearly half of our existing aggregates business and a fifth of our business that we move for the steel industry. We have made our submissions to Government about the economic effect on our business and the wider effect on emissions, the wider effect on kinetic energy and road safety. That is why I make the point that where the vision is being created for a growth of rail freight, it is clear, it is concise and investment has been put with it, but elsewhere in Government, perhaps inadvertently, there are people whose actions will create the opposite effect, and I think the effect in the container market of heavy vehicles is even worse.

Ms Durham: Yes. We did a study and we estimated that up to 77% of container moves by rail could be lost to road because once you can get two large containers on one lorry, rail will find it very difficult to compete. Rail at the moment competes because it benefits from being able to load 30 containers on a

train instead of one. It will lose those economies. It will not be able to run whole trains any more and it will decline.

Q253 Graham Stringer: What has the Government said to you when you point out these quite staggering statistics really? All the vision collapses, does it not, if the Government is pursuing this. You must have put these points quite forcibly to the Government. What does the Government say?

Mr Smith: The Government says that it is still considering what it intends to do. I think it is considering the report which has been written by Professor McKinnon. The Government acknowledges that we have made our case.

Q254 Graham Stringer: Did it challenge the facts in your case?

Mr Smith: Government has not challenged the facts in the study which we did.

Ms Durham: Nor mine.

Mr Smith: No.

Q255 Mr Hollobone: I understand that in 2006–07 Network Rail missed its freight performance target by 18%. Is that right, and if so, why?

Ms Barnes: I think it is probably fair to say that the performance which we are delivering to the freight customers is not good enough at the moment and we have identified that going forward it is something we need to improve on. Why did we miss it? For a number of reasons and none of the reasons are necessarily good ones. We need to be better at this in future and to have the same level of priority in terms of reliability for freight customers as we do for our passenger customers.

Q256 Chairman: I think we are going to have to ask you to speak up. It is a very difficult room and your voice will be absorbed.

Ms Barnes: I do apologise. We need to do better is what I am saying.

Q257 Mr Hollobone: Does Mr Smith have a view about why the target was missed by such a large margin?

Mr Smith: There were a number of reasons. The first was Network Rail was having to respond to climatic conditions and perhaps sometimes not responding as effectively as it would have liked. There are issues relating to freight trains being put aside to allow passenger trains to pass and there are issues relating to the fact that during planned or unexpected engineering works freight trains will be delayed and diverted. Diversionary routes are not always predictable. One ends up going around two sides of a triangle or three sides of a square. There is also, I think, something we welcome in Network Rail, which is that in the event of the need to take an emergency blockage in the line to repair a broken rail or some other fault Network Rail tends to focus on the time when there is less traffic, which tends to be at night, which tends to be when we are moving but not a lot of other people are. This is part of trying to encourage Network Rail, and indeed the whole

6 February 2008 Mr Paul Plummer, Ms Barbara Barnes, Ms Lindsay Durham and Mr Graham Smith

industry, to try and take a balanced approach to sharing out any suffering when there is perturbation on the network.

Mr Hollobone: I understand that Network Rail believes it can improve the level of delay to freight services by 25% in control period 4. What confidence should this Committee have that you will actually achieve that?

Q258 Chairman: Mr Plummer, we have confidence in you, of course.

Mr Plummer: That is the target we set ourselves within the strategic business plan. To be honest, at that point we said we needed to do a lot more work with the freight operators about how we can achieve that. It was in the context of the fact that, quite understandably, there was not a performance target in the high level output specification for Government, but we want to really take that seriously and work with operators on it. So precisely how we will do it and whether it is precisely the right number, I cannot tell you that today, but there is a commitment and a desire there to take it much more seriously than has been the case in the past.

Q259 Mr Hollobone: Have you any idea at all about how you are going to achieve that? What sorts of things are you going to look at doing?

Mr Plummer: A lot of it is about the same things we will be doing across the railway as a whole. Freight is not different in that sense, so many of the things we will be doing to improve performance will deliver benefits for all users. Some of it is about bringing in the same sort of discipline that we have elsewhere into freight. There are issues for us and there are issues for freight operators in that. So it is a whole mixture of those things and other specific investments at local places which will deliver improvements.

Q260 Mr Hollobone: Not only have you failed to meet targets, you also seem to do what you do quite expensively. In evidence to us EWS has said that extensive research demonstrates that Network Rail's costs are "more than double those of world-best practice". Mr Smith, would you like to expand on that?

Mr Smith: Certainly. As part of the periodic review in 2008 on the future level of access charges we undertook research, some jointly with Network Rail, some independently, involving well-regarded ex-British Rail engineers and engineers from North America looking at working practices in terms of track maintenance and renewal and possessions for cost of freight only lines and benchmarking the unit costs in North America with the United Kingdom. We took out all of the geographical differences between North America and the UK and still came to our view, which was that the unit costs that Network Rail experiences are twice those in North America. I understand since then the Office of Rail Regulation has done further work looking at European comparisons and whilst not finding that European unit costs are as cheap as North America, they are still significantly lower than

Network Rail's. Paul can explain, I am sure, a number of reasons. We are really rather keen on this because this goes directly to the level of track access charges which we as freight operators will face in the next control period. Access charges in the UK are the second highest in Western Europe and if we are going to compete with road then this is an area of our single largest cost which we do not control ourselves which needs some attention.

Mr Hollobone: What is Network Rail's response to these accusations?

Q261 Chairman: You are an expensive fellow, Mr Plummer. Why?

Mr Plummer: We very much accept the challenge and there is a big issue there in terms of comparison with other countries. There is a massive need for us to continue to improve efficiency. We will be quite up-front about that. We very much want to use benchmarking of this sort and then bed it much more into our business as to how we continue to drive improvements in all aspects of our business in a way which I think has not been the case in the past. The sort of work that Graham has referred to is very welcome for that, but we need to do it within the business as well much more. We do have some differences of opinion about the precise numbers, and I shall not go into that now because it is the subject of enormous debate between ourselves, ORR and others. We do think as well there is a need to be realistic, but at the same time challenging about how quickly you can achieve improvements in efficiency, in reliability and in all aspects of our business. It simply is not possible to do everything all at once, but we do accept there is a long way to go.

Q262 Mr Hollobone: Is this not a key conundrum in that the Government on the one hand is saying it wants to see more freight on the railways, the freight operators like EWS are saying that track access charges amount to something like a fifth of their operating costs, EWS in evidence to this Committee has said that if there is to be a step change in the volume of freight carried by rail track access charges need to come down, and yet the Office of the Rail Regulator is actually looking at increasing track access charges by up to a quarter?

Mr Plummer: I agree it is a big conundrum and we are seeking, in setting those charges, to take a view not just as to the efficiencies today but where it will be in future and what a realistic, challenging view of that will be.

Q263 Clive Efford: What will the effects be on rail freight of the termination of the Strategic Rail Authority?

Ms Durham: I actually think we have seen an improvement. It is much more integrated now everything is within the Department for Transport. I think we are beginning to see a clear vision. I do think it enables the Department to look across modes rather than a body which is solely looking at rail, because for us competition with other modes is

6 February 2008 Mr Paul Plummer, Ms Barbara Barnes, Ms Lindsay Durham and Mr Graham Smith

real. The only thing I would like to see is a more integrated system for enabling new rail freight terminals.

Q264 Clive Efford: From what you are saying then I think the answer to this is yes, that you believe there is a more strategic approach to rail freight including at interchanges?

Ms Durham: No, I am saying interchange is the only bit which is possibly missing now, but I think generally the investment which has been promised in the network and the vision is much clearer now, all being under the Department, because it can look across rail and look across road, whereas the SRA could not.

Q265 Clive Efford: Where do you think the future strategic responsibility should lie? Do you think it should stay with the Department?

Ms Durham: Yes.

Q266 Mr Leech: I would just like to come back to the question which Mr Plummer was answering before in relation to the excess cost that Network Rail seem to pay for repairs, or whatever it might be, as opposed to other countries. I listened very carefully and you did not give a single explanation as to why things were more expensive when Network Rail did them. Can you go into a bit of detail about why it is that things are more expensive? You talk about you needing to be more efficient. In what way do you need to be more efficient? What efficiency savings can be made to bring down those costs?

Mr Plummer: Okay. There are many things we are doing, I think, which will take us way beyond anything which is happening in other countries. For example, what we are trying to do in terms of modular switches and crossings, that will take us beyond other countries both in terms of the cost of doing that, replacing those things, and also in terms of the time which it takes to do it and hence the disruption we impose on users of the railway when we do that. So that is a very major fundamental transformation and we have learned from the best practice of elsewhere and we are trying to go beyond that. It is not something that will happen overnight, but over the next few years we will be doing things very, very differently in that area. So that is an example of what we are trying to do. In terms of the specific differences, one of the issues we are concerned about in terms of comparison with Europe in particular is that actually in this country over the last decade or so we have sought seriously to address what we regard as a serious backlog in investment which has arisen over many, many years in this country and I think there is a very serious question, on which we are doing some further work to really understand and to quantify, as to whether actually many of those other countries are at a very fundamentally different stage in the cycle and that actually they have been creating –

Q267 Chairman: Mr Plummer, I think the philosophy is fascinating, but we do not have the time. I am going to ask you very quickly to tell me about the Sustainable Distribution Fund. Does it actually shift freight off the road onto rail?

Ms Durham: Yes, it does. It is a very good system, both for the operators and for the Government because when it buys the benefits it always ensures it gets the congestion and environmental benefits.

Q268 Chairman: So it is good value for them?

Ms Durham: Yes, I think it is good value. The budget at the moment is very constrained. This year it reduced from £24 million to £18 million for rail freight.

Q269 Chairman: Was it sensible for the Department to combine funding for rail and water freight infrastructure with funding for road freight improvements in the Sustainable Distribution Fund?

Ms Durham: I think we would like to see a separated out fund just for rail because rail operators have to make a lot of investment in order to grow.

Q270 Chairman: So the answer is actually no, it was not very sensible?

Ms Durham: Yes.

Q271 Chairman: I want to ask you about the Transport Innovation Fund and some strategic freight schemes. Are the schemes which have been identified under the productivity strand of the TIF going to produce significant improvements to capacity?

Mr Smith: Yes, they are. They are going to produce improvements from the ports on the East coast and the South coast, but that is not just where the money is being spent. It will also improve connectivity to Liverpool, it will improve connectivity to Immingham and Grimsby and I think the most exciting bit of the TIF fund is the one which is hidden away, which is the improvement to the line between Gospel Oak and Barking, which is quite busy during the peaks but a key part of London's freight network. If the Mayor means what he says, that he wants to move freight from road to rail in London, then we have got to find a way of getting into and through London which means that we can cohabit with the passenger railway. Something like Gospel Oak to Barking, and other little routes around London, should be enhanced for gauge, electrification, and capacity, and there is a really, really good return for the investment being made.

Q272 Chairman: So is there enough money going into schemes like that?

Mr Smith: There are a lot more schemes which Lindsay and I have identified –

Q273 Chairman: No, are you getting enough money for the schemes that you would prioritise is what I am asking you?

6 February 2008 Mr Paul Plummer, Ms Barbara Barnes, Ms Lindsay Durham and Mr Graham Smith

Mr Smith: We are looking at whether the £200 million in the strategic freight network, which is a development of the Transport Innovation Fund, is going to be sufficient to meet the growth demands that we have. That £200 million has got to last until 2014. We believe there are strong arguments for increasing that sum of money but one step at a time.

Q274 Chairman: So you do not believe, for example, that Government should keep all the money and put it into one completely new project, something like, say, a major new freight line?

Ms Durham: No, we do not. We think the best thing is to enhance the existing network. The existing network gives us connectivity between the port and entry to Britain, and the inland terminals, and one route will not give us that connectivity. I think there is a real issue about whether rail freight can really afford to pay for a brand new route.

Q275 Chairman: So have you got ideas for a new strategic freight network?

Ms Durham: The operators are working together with Network Rail at the moment to develop the actual routes that we think should be the priorities.

Mr Smith: There are a number of schemes that we could put in place. There is enabling trains to be longer and heavier and therefore using the network more efficiently than we are at the moment. There are arguments for re-opening certain routes. We certainly support the re-opening of the line from Stourbridge to Walsall, which will avoid the major commuter route north/south in Birmingham, and working with the DfT on re-opening from Oxford to Bletchley. We think there are arguments there. From the EWS perspective, we would like to see the start of work to accommodate European gauge. Now that we have a resolution to the economics on the Channel Tunnel and if we can ever get an agreement with London & Continental about affordable charges on the Channel Tunnel rail link then that opens up the whole of the UK for European gauge freight, which has been missing from this country for the last 150 years.

Q276 Chairman: Heavier trains are not going to do a lot for Mr Plummer's network, are they?

Mr Smith: Heavier trains per se—well, it depends on the infrastructure, it depends on the spacing –

Q277 Chairman: I know what it depends on, Mr Smith, but all I am saying to you is that heavier trains have a cost?

Ms Durham: I think heavier axle loads actually have a cost. The whole train being heavier does not actually, I do not think, cost Network Rail any more.

Q278 Chairman: There you are, Mr Plummer, nice light, heavy trains, yes?

Mr Plummer: Clearly, everything else being equal, lighter trains are nice, but actually what we need to be doing is planning for it in a way where we know what is coming and we can design and develop the infrastructure to meet the requirements. It links, if I may, to another point as well as agreeing with what Graham and Lindsay have said, the question about new lines as well. We do, as you know, wish to look much more seriously at whether there should be new lines built in this country. We do not see it likely that that would be a freight line, but if there was new capacity built to deal with the growth that we see across the whole railway you would then consider how you would re-use the existing capacity, including freight, to get more out of that available capacity, including how you would renew it for heavier axle loads.

Q279 Chairman: That sounds admirable, but at the moment most of your plans are really direct London to other cities, are they not? They are North/South. Most of the planning in Network Rail at the moment is concentrating on speeding up movement of trains on the North/South axis. Very few of them are running East/West. You have a sort of Chinese People's Republic commitment to simplicity of transport planning?

Mr Plummer: I do not see it quite that way, but I can understand where you are coming from.

Q280 Chairman: No, you do get paid rather more!

Mr Plummer: Yes, we do need to look much more at the East/West players as well and part of that, for example, is taking traffic away from London and the issues we raised earlier about the East/West in the north of England.

Q281 Chairman: Finally, is it a good time to talk about connecting the United Kingdom's airports to the rail network, because although some airports are really quite imaginative, some others are not and yet the growth in air travel will mean that this will be a continuing difficulty, will it not?

Mr Smith: The primary reason for connecting airports to the rail network is to convey passengers, but as rail becomes more competitive on consumer goods and supermarket goods I think there is definitely a case for ensuring that the major airports are connected to the rail network in such a way that we can move supermarket goods as easily from an airport as we can from the Channel Tunnel or from ordinary ports.

Chairman: Ladies and gentlemen, you have been extremely helpful. Thank you very much indeed.

Witnesses: **Mr Simon Salem**, Marketing and Customer Service Director, British Waterways, **Mr Mike Garratt**, Chairman, Sea and Water, **Mr James Trimmer**, Head of Planning and Partnerships, Port of London Authority, and **Mr John Spencer**, Managing Director, GPS Marine Contractors Limited, gave evidence.

Q282 Chairman: Gentlemen, I think I should confess to you that we are going to be extraordinarily ill-mannered and leap to our feet—at least some Members will leap to their feet, others will creep to their feet depending on the mood—and rush away and possibly, I am sorry to tell you, for twenty to twenty-five minutes. I am sorry about that, but it is the way this place works. I am not allowed to continue, naturally, while the voting procedure is taking place. So could I ask you firstly just to identify yourselves for the record so that we can at least get those bits out of the way.

Mr Garratt: I am Mike Garratt, Acting Chairman of Sea and Water.

Mr Trimmer: James Trimmer, Head of Planning and Partnerships, Port of London Authority.

Mr Spencer: John Spencer, Managing Director of GPS Marine Contractors.

Mr Salem: I am Simon Salem, Marketing and Customer Service Director for British Waterways.

Q283 Chairman: That is extremely helpful. Did anybody have a few general remarks they could launch forth into at the risk of being interrupted?

Mr Salem: I think just under three headings. The first heading is that I think we believe it is a very good time. We are pleased that the Committee is looking at this issue now. We sense there is a change in demand for inland waterway traffic, particularly linked to people's increasing awareness of the environmental benefits. You have seen some of the supermarket experiments recently, and we believe that with the right regime in place and the right partnerships there is perhaps more potential than there was in the years leading up to now. The second heading of my three is that with that in mind last year British Waterways commissioned a report from the economic consultants Oxera and that in headlines, so that the Committee can think about it, told us that navigation authorities do not always have the right funding regimes from Government in order to match the costs that arise from carrying water-borne freight and that needs to be looked at and put right. Secondly, it identified that some of the costs advantages which the inland waterway freight industry have are very fragile and need to be protected and enhanced, and we would like to support that. Thirdly, that the environmental benefits and social benefits of carrying freight on the inland waterways have probably been somewhat underestimated by previous grant regime assessments. So we hope that is a useful contribution to the debate. Finally, I would like to say that with that in mind we have been discussing the report with a large number of stakeholders in the inland waterways industry, including colleagues from Sea and Water, and we shall be holding a round table at the end of this month to try and get a common platform for creating the right regimes about inland waterway freight and creating as bright as possible a future.

Q284 Chairman: So would it be beneficial for freight policy for inland waterways to be integrated into a freight plan?

Mr Salem: I think it definitely needs it. Planning is a very important issue. The more that flows can be predicted, looking ahead for the longer period of time, that is very necessary. It is one of the things necessary to protect the inland waterway operators, the operators of freight investment plans, because for them to invest in significant amounts of infrastructure—vessels, unloading facilities, and so on—it is necessary for them to have some fairly long-term assurances from the planning system about what is going to happen.

Q285 Chairman: You did use an odd word about costs. You said they were “fragile”. In what sense are they fragile?

Mr Salem: I think their cost advantage is fragile, Chairman, in the sense that it depends very much on the right planning regime, which I have just referred to, it depends upon issues such as continued subsidy for fuel, which is currently available and needs to be protected. That subsidy for marine diesel has been removed recently from the leisure sector. That is not relevant to this inquiry, but it is a sign of a trend. Of course, much of their viability depends on the right grant regime to encourage them to invest in vessels and unloading facilities, and again they are very vulnerable to changes or inadequacies of that regime.

Q286 Chairman: The need to shift freight from other modes of transport onto waterways is a bit of an aspiration, is it not? How do we move from that to something practical?

Mr Salem: If I may, Chairman, illustrate from a practical example with the project which is going on now with the Bow Back Rivers, where we are building what our engineers call a “water control structure” but which I prefer to call a lock, which is going to make the Bow Back Rivers navigable and non-tidal. That is a good example of where tremendous effort from a wide range of partners, a very wide range of funding and the kind of forward commitment from the planning regime which the Olympics gave, and the plans to regenerate East London around Stratford gave enough certainty—and it was hard—to create a project which really could go ahead and it is being built now.

Q287 Chairman: Mr Salem, I do not want to be ungracious but you were a little bit tardy in coming to the agreement to get on with the lock, were you not? This Committee took a very great interest because we were looking, and are continuing to look, at what was happening with the Olympic Games and transport generally and we all thought the building of this lock was not only an extraordinarily good idea but that it would produce immediate and positive results. But we got the

6 February 2008 Mr Simon Salem, Mr Mike Garratt, Mr James Trimmer and Mr John Spencer

impression that probably British Waterways was not exactly falling over itself to get on with it. Was that unfair?

Mr Salem: I think it is a little unfair, Chairman, although you are entitled to and I respect your view.

Q288 Chairman: That makes you unique for a start!

Mr Salem: I have to say that working with my colleagues in London, side by side with them, I think British Waterways was very determined to make it happen. I think it underlines how difficult it is to put together these funding packages. We put £2 million into an £18 million infrastructure project and now we are going to deliver that project to the timetable. There will be tidal lock-out in April and the final complete construction before the end of 2008. I very much hope, if the Committee has the time, that at some point in the future it might want to come and see the project to see how we are getting on.

Q289 Chairman: So is it on time? Are you telling us that the actual project is on time and will soon be fully utilised?

Mr Salem: I am absolutely telling you that and that it links to the Olympic construction phase as planned, and we would expect during 2009 to see traffic moving through that as planned.

Q290 Chairman: So it is not being held up?

Mr Salem: It is not a fantasy. It is not being held up and you are very welcome to inspect the work any time you like.

Q291 Chairman: Mr Trimmer wanted to say something.

Mr Trimmer: I think in relation to the River Thames the proposals for the carriage of freight are not just aspirational. We have got more enquiries from operators wanting to carry freight than we have had for a number of years, and this is a continuing high number and from operators who have not used the river before. The issues we face are the planning system, which seems to be quite a regular occurrence at the Committee, and also the multiplicity of agencies which one has to deal with in order to get freight from the roads onto water.

Q292 Chairman: So what is it, Mr Trimmer? Are you saying to us there are not enough wharves, there are not enough warehouses? What is the specific thing which snarls you up with all these different agencies?

Mr Trimmer: Infrastructure in terms of wharfage is vital, certainly on the Thames where land values are so high and where the safeguarding policy itself was instituted ten years ago. That is an important process but through the planning system it is essentially a negative power. We can stop developers putting houses on wharves for years and years. That just means that land lies sterile and we all want to reactivate it to carrying freight. What we then have to do is to persuade the Mayor of London and the London Development Agency to promote compulsory purchase orders, which again take years

and years, and we have a wharf which has remained vacant for the eight years that I have been at the PLA.

Q293 Chairman: Which is?

Mr Trimmer: It is Peruvian Wharf in Newham, where we got a planning decision in our favour last January, where the Secretary of State turned down a scheme for a mixed use development on the protected wharf because of its status. We have now promoted a compulsory purchase order with the LDA on that side and at the moment the owner is progressing plans to reactivate it for about 600,000 tonnes of aggregate shipped on the river independently, but in our view the CPO was a major part of persuading them. So certainly land is a major element. The second element of the infrastructure is barges and the actual vessels to carry –

Q294 Chairman: In what sense, that you have not got them, that they are too expensive, or people are not investing?

Mr Trimmer: I think a combination of all of those.

Q295 Chairman: Mr Spencer is taking a deep breath!

Mr Spencer: Yes, capacity is a problem. You said that carrying freight on water is aspiration. It is not. Ten years ago we had 30 or 40 barges, maybe more, which for most of the year would be idle, whereas today we have got none. So when people come to me and they want more tonnage moved by river, we struggle. We need commitment from the planners and we need commitment from clients to enable us to go and invest, because one of the big problems we have is that something is in vogue today and suddenly things change and it is out of fashion. An example was that Whittaker built a whole fleet of barges to shift petroleum products and the duty regime changed and their barges were suddenly redundant. They had to pay the oil companies to make it worthwhile to shift the products, and we cannot afford that sort of thing.

Committee suspended from 4.28 pm to 4.51 pm for a division in the House

Q296 Chairman: Mr Spencer, you were about to make some very provocative remarks. Off you go!

Mr Spencer: It is purely that we need certainty. We cannot invest in the hope that maybe things will stay the same for more than three years because with tugs, barges and ships you have got to look to have that investment over 10 or 15 years at least.

Q297 Chairman: It is a bit difficult really, is it not, because if you have any other business in transport you really do have that kind of certainty, do you not? What sort of investment are we talking about?

Mr Spencer: For a tug, a small tug for inland waterways, £1.5 million.

Q298 Chairman: Why should that be a problem for you if there is an alteration in the business?

Mr Spencer: It is not a problem in the case of the tug, strangely enough, because most of the time you can take the tug back to the Continent and use it again,

6 February 2008 Mr Simon Salem, Mr Mike Garratt, Mr James Trimmer and Mr John Spencer

but barges, particularly in the River Thames and for areas where BW are in control (for instance Prescott Lock and the Bow Back Rivers), tend to be much smaller to be used here and so the opportunity does not exist to take them back to the Continent because they are just too small to use there. So if we cannot use them here, we have really got nothing to do with them.

Q299 Chairman: Are UK ports being utilised effectively for domestic coastal shipping of freight?

Mr Garratt: I think they are perfectly capable of being used for coastal shipping. Whether they are fulfilling their potential is another matter.

Q300 Chairman: What would you do to encourage the operators to ship more freight around the coast?

Mr Garratt: I would look at the planning system. Martyn Pellew from Teesport earlier was talking about waterside development, warehousing within ports, and introducing that basically means the destination of the cargo is within the area water-connected. In terms of transforming the economics of using water transport that is quite dramatic, so I think that is definitely well worthwhile pursuing.

Q301 Chairman: Mr Trimmer, could you make a realistic guess at the percentage of domestic freight which would be a realistic target for coastal shipping?

Mr Trimmer: I am not sure if I can. I know more about the Thames itself in terms of potential.

Q302 Chairman: I understand that, but on the other hand you must have contact with coastal shipping by definition because at some point it crosses your boundaries?

Mr Trimmer: That is right. I think there is potential for quite a substantial increase, but in terms of figures I am not sure I can be any more exact than that. Certainly, in terms of the bulk cargoes that we move, there is quite considerable potential with new clean coal power station developments where the raw materials with bulks are appropriate to move around the coast and within the inland network.

Q303 Chairman: Mr Salem, have you done a calculation of how many lorry loads you could shift off the road—I know it is not your direct field, but using coastal shipping? What would that be?

Mr Salem: I really am not qualified to say on coastal shipping. I can give you some idea of the scale for inland waterways, if that would help. Currently, we are carrying about 1.6 million tonnes a year, which is quite a small figure in the overall context, you will appreciate. The sort of scale of a project—because for us it is about niche markets and the Olympics and the development beyond there in Stratford is a well-identified niche market—that could give us an opportunity to move, say, another half a million tonnes a year if it reached something like its full potential. So in the context of big increases from a small base it can make quite a difference to inland waterways.

Q304 Chairman: Mr Garratt, I should have asked you in the first place. You have got all the facts and figures?

Mr Garratt: Yes, I have, perhaps. There are about 60 billion tonne kilometres a year moved by waterborne freight in the UK. About 18 or 19 billion of those are directly in competition with road and rail transport, so if we stick to that for the moment.

Q305 Chairman: So they are not necessarily the bulk tonnes?

Mr Garratt: Yes, they are bulk tonnes in terms of coastal petroleum, which is in competition with road and rail, or aggregates, stone moved up and down the coast. But I am excluding at that point traffic to and from the North Sea oilfields, and so forth.

Q306 Chairman: Yes, you are talking about routine.

Mr Garratt: Yes. Again, trying to maintain the same storyline, so to speak, we heard earlier of the possibilities of moving cargo to Tees rather than to Felixstowe and that would save 150 miles of inland transport, and so forth. Roughly speaking, if the whole container traffic through Felixstowe that was heading for the north of England did indeed switch to coastal shipping, from Felixstowe to Goole, or something like that, that would equate to about 2 billion tonne kilometres. Set that against the 18 –

Q307 Chairman: So we are talking quite serious figures?

Mr Garratt: Serious figures. That is only 1% of all UK domestic freight.

Q308 Chairman: Yes, but that is not quite what I was asking about.

Mr Garratt: I know, but I am trying to give you the context.

Q309 Mr Hollobone: Would Britain's commercial waterways, both inland and coastal, be better served if they were the responsibility of the Department for Transport rather than Defra?

Mr Salem: I think it is a difficult one to answer, if you look at the range of things which British Waterways covers, whether it is –

Q310 Chairman: It is not that difficult because you have given us the quote, have you not, “a unit within government devoted to waterways freight”? The point Mr Hollobone is putting to you is, would you get a specialised unit if it was Transport rather than Defra?

Mr Salem: I think maybe I misunderstood the question then. I think it is certainly important that there is a specialised unit within Government that focuses on that and which builds a good relationship with people like ourselves and the Environment Agency and navigation authorities. Exactly which department we have reporting lines to I think matters less.

6 February 2008 Mr Simon Salem, Mr Mike Garratt, Mr James Trimmer and Mr John Spencer

Mr Trimmer: If I could just add, the River Thames within the Port of London is classified as a port and therefore under the administration of the Department for Transport, but it also is an inland waterway, yet it is classified as a port within DfT.

Q311 Chairman: You are neither fish, flesh, fowl, nor good red herring?

Mr Trimmer: We are not. We are a port.

Q312 Chairman: Are you also, Mr Garratt?

Mr Garratt: I think freight transport should be the responsibility of the Department for Transport. I think the language tells all.

Q313 Mr Hollobone: Does British Waterways place enough emphasis on the importance of freight transport, or are you too focused on passengers, leisure trippers, and so on?

Mr Salem: In my judgment, I think we get the balance about right. Freight is important. The nature of the freight market has changed. It is not about waterways originally built to move freight, largely speaking, long distances up and down the country. We have seen that now this is about niche markets often in urban areas moving short distances but on important traffic. So the nature of the traffic has changed. I think we have to be realistic and say that most of the network was built in the eighteenth century to a very small gauge. Nobody could conceive that you would want anything that was longer than about 65 feet, 7 feet wide. With the most marvellous technological change, the world moved on and bigger networks on the Continent are more competitive. So the bulk of the network is for leisure, but I think we have developed and I think the Olympics is a good example. There are other examples in London particularly and quite an intense specialism on getting into partnerships in local niche markets and making things happen.

Mr Spencer: I think BW does actually need to look at the balance between leisure and commercial traffic. The West India Dock has been the source of a great deal of traffic recently, but commercial traffic pays double the tariff for leisure traffic and that has seen a significant amount of traffic actually disappear and put onto the roads. I think 100% uplift for commercial traffic is a bit high really.

Q314 Chairman: Mr Garratt?

Mr Garratt: No, I am happy with that.

Q315 Mrs Ellman: In the written evidence you have all mentioned the problems the planning process poses for your development. Will the new Planning Bill make a difference?

Mr Trimmer: Yes, I hope so. I think it was mentioned earlier in terms of the Infrastructure Planning Commission, certainly on the inland waterways and to a great extent with short sea shipping a lot of the terminals will not come within the thresholds to be determined within the IPC and therefore they will maintain within the planning system. The principles, in my view, of the planning system are appropriate now in terms of a plan-led

system to provide certainty and that being filtered down to decision making at the local planning authority. The issue comes as to how well national policy is applied to the regions and regional policies applied locally. It is the ability, as it were, to play the system that provides the issues with certainty, that planning has. I think if the new National Policy Statement on ports is expanded to include freight on the inland waterway network and short sea shipping, and therefore the port system as a whole, that will improve matters in terms of policy feeding down through the system, but if it just deals with ports as they are perceived as containers in and then containers fed out by whatever means rather than the rest of the inland waterways and short sea network, I think an opportunity would be lost.

Q316 Mrs Ellman: What about the National Policy Statements, if there are to be new statements which are part of the new planning procedure, National Statements referring to infrastructure relating to inland waterways? Do you see that as a way to put you on their side?

Mr Trimmer: Potentially, yes. Of course, Waterways for Tomorrow, the previous inland waterway policy statement, mentioned freight, I think, in about a paragraph or two and that was it. I think that was when, of course, there was one department dealing with planning and environment and transport, and that dealt with all of that. So I think there is an opportunity, but we are seeing now with active participation in regional strategies, in regional planning, it is possible to provide that layer, but again it is an awful lot of work and we are not finding the last revision to the planning system has particularly speeded up the process. The documents are just as long as they always were, in our view.

Q317 Clive Efford: How effective is the Sustainable Distribution Fund in improving freight transport and environmental performance?

Mr Garratt: Lindsay Durham from Freightliner in the previous session emphasised the railway industry's support for a system which paid by results effectively, and that is that every container moved, if it falls within certain qualifications, generates a grant which is related to the environmental benefit conferred. That is something which is there to be had, even if the flow only lasts a year, two years, or three. That is not available for water transport. The only system available basically is making capital investments, which are inevitably long-run and require long-term certainty on traffic which may not exist. So, if that helps to answer the question, I think payment by results, which would work very well in terms of the new container barge traffic across the Thames and on the Manchester Ship Canal, is much more appropriate. Also, a level playing field with the railway industry. Just one illustration: there is a coastal shipping service carrying containers from Southampton to the Mersey. Southampton to the Mersey by rail gains a grant. By sea it does not, yet the argument (i.e. moving traffic off the roads) is exactly the same. That is my answer to that.

6 February 2008 Mr Simon Salem, Mr Mike Garratt, Mr James Trimmer and Mr John Spencer

Mr Spencer: I think for us it just does not work. The system as it exists at the moment for a smallish company means that if we take grants we are always dependent upon somebody else, for instance dependent upon a cement company or an aggregate company, and if they change their minds then necessarily we are left with the grant and the grant liability, so that gives us a problem. It is such a long-winded process, frankly, we have got better things to do. We can go and do other stuff before we go and do that.

Q318 Chairman: Yes, but you do not turn the grants down, do you, Mr Spencer, if somebody comes along and says, "It's going to take us six months to sort this out"? Are you so enormously cheerful that you say, "Thank you very much," and the accountant says, "I can ignore it"?

Mr Spencer: No one has ever said to us that it is there to be had that readily and so because it is such a long-winded process, as with lots of planning issues, we just get on with the next thing because rather than deal in the vagaries of, "Maybe the grant will come and maybe it won't, and maybe it'll be good and maybe it'll be bad," it is better to look at something that is actually going to work. That means that we have never had a grant. We have picked up a grant liability once, but we have never had a grant, and it is very, very difficult. Where I think the grant system, the FFG system, gives us a few problems just right now is that as soon as a planner says, "You've got to move this spoil," or whatever, "by water" instantly the grant is not available. You see, it is a condition of the grant that you are not made to do it by water.

Q319 Chairman: It has to be an incentive, in other words, to something that you are not being told to do?

Mr Spencer: That is absolutely true, but what happens now is that the planners will say, "You must use water transport," and the Planning Commission will move on and then the contractors and the developers will spend six to eight months, or a year, trying to wriggle out of that responsibility and move the stuff by road anyway.

Q320 Clive Efford: Has that got implications for a major scheme such as the Olympics development in East London, because there are requirements there to move a great deal by river?

Mr Spencer: I do not know. I have got to say that every client we have got is very sceptical, very, very sceptical, and indeed the contract which was just given to the aggregate industries was to provide a concrete plant and we spoke to CEMEX about it, but the problem was CEMEX could not give us any tonnage guarantee. It is just a question that the plant is put there and the contractors are invited to use it. If they do not use it, then there are going to be no tonnes. So it is very difficult for us to commit to that sort of thing.

Mr Trimmer: As I understand it with the Olympics the ODA and the contractors might have an aspiration of course to move 50% by sustainable means, and therefore that is not a sort of cast iron planning condition to do so.

Q321 Clive Efford: So in your opinion does the plan significantly improve domestic waterways infrastructure?

Mr Trimmer: It has done and I think in fairness to the unit it is a lot better than it used to be in terms of speed of response. It is still quite a complicated system, but I think a number of the operators, when they have been through the pitfalls of it once, the next time they come round to it they know what they are doing.

Q322 Chairman: It is inevitable, Mr Trimmer, is it not, if you are applying for Government money that they are not going to just say, "Oh, there you are, my man, here's the cheque," and walk away?

Mr Trimmer: It is, I agree, and as I say it is certainly –

Q323 Chairman: It is public money.

Mr Trimmer: Indeed, it is, and it is certainly better than it used to be, and amongst the larger operators there is a greater willingness to at least go through the initial stages and the initial discussions with the unit in order to see if there is an opportunity for funding there.

Q324 Clive Efford: Do you think the improvements in the infrastructure which have come about as a result of the Fund have resulted in any significant modal shift?

Mr Trimmer: I would say on the River Thames, yes, a number of small barge outloading jetties have the provided funding through FFG, and before it was stopped a number of vessels were refurbished with freight facilities grant money that certainly contributed to modal shift, but it tends to be on the River Thames. It is quite small projects which are aimed to remove invariably road movements between larger distribution hubs, say for aggregates, and smaller upstream terminals, and they know then that by putting facilities in which do take lorries off the roads they have got a better chance of getting a grant and therefore they will enable that modal shift to happen.

Q325 Clive Efford: Do you think it could be improved? Do you think it represents good value for money for the Government?

Mr Garratt: Well, in a sense by definition it does because if the conditions of the grant are fulfilled then the sensitive lorry bars, as it were, kick in and by definition it is good value.

Mr Spencer: I actually think that a modification that could be quite useful is some sort of credit guarantee scheme, because UK banks are not very keen to lend for these sorts of projects. A credit guarantee scheme tends to put the onus in the first instance upon the operator. If it was backed up with some sort of credit

6 February 2008 Mr Simon Salem, Mr Mike Garratt, Mr James Trimmer and Mr John Spencer

guarantee, I think that banks may be much more inclined to assist, particularly now when capacity is a bit limited.

Mr Salem: I think I would agree with much of what has been said there. What I would add is that for navigational authorities, not just British Waterways, we rarely ever qualify for the grant and it does not deal, for us, with the issue of ongoing increased costs to support the freight project. The most typical one is that on a river the infrastructure and some of the kit is provided but we then face long-term increased, sometimes significant dredging costs and those cannot be supported in whole or in part by the grant, so any change that could enable that to happen would certainly be very encouraging.

Clive Efford: Was it appropriate for the Department to combine funding for rail and water freight infrastructure with funding for road freight improvements when it created the Sustainable Distribution Fund?

Q326 Chairman: Do not come over all tactful on me!

Mr Garratt: In theory, yes, I suppose, but in practice I do not think it is appropriate.

Chairman: I think we have got any answers we are going to get there!

Q327 Clive Efford: How much did the Government spend on providing infrastructure for the freight industry through the Sustainable Distribution Fund?

Mr Garratt: Sorry, I could not answer that.

Q328 Clive Efford: No comments? Right. Is the Government doing enough to encourage the smaller modes such as inland waterways and coastal shipping?

Mr Spencer: I think no, because it really comes down to not just money, it comes down to the whole process and a number of consultees. When you want to actually make an investment and make something happen it could be years down the road. It is nothing to do with the Government putting up money, it is just to do with barriers that get put in the way. We tried to open a wharf to take material from the Woolwich extension of the DLR and that is almost open now. The wharf, with any luck, may take some material in a month's time! All these delays really work against modal shift.

Q329 Chairman: Supposing that was decided locally rather than nationally, would that make a difference?

Mr Spencer: No, I think the problem is that there are so many consultees and they can frustrate any process. That particular wharf was frustrated by our friend the Black-tailed Godwit which lives nearby. It took the last eighteen months just to convince RSPB that the Godwit would not be upset by the operation. That is a real problem. It may sound quite funny, but actually it is a real problem when a whole project is hog-tied by a bird which has lived there next to an oil refinery anyway, so it seems quite happy with some noise. It really does tend to beggar belief and the PLA has worked very hard to get this

wharf open. With quite a few other projects that we have been involved in the whole process of consultation just takes so, so long.

Q330 Chairman: Do you want to give us a short note, either Mr Trimmer or Mr Spencer? I do not want all the details, but just a short note on what happened and the timing on that, the timeline and the effect?

Mr Spencer: Yes, sure.

Chairman: I do not want the details, I just want to know when you applied and how long.

Q331 Clive Efford: Just one last question. If it is not money from the Government, what do you think the Government can do to improve the process?

Mr Trimmer: I do think, to answer your earlier question, that sort of inland waterways, short sea shipping, has gone under the radar of huge, great port expansions with big ships and big estuaries and things. I think the smaller schemes, particularly where inland waterways (as invariably a number of them do) go through large conurbations, the potential then for modal shift is certainly greater. What we would like to see is the Government or the DfT—and it is not just a case of money but looking or calling for case studies of where freights are either being undertaken or could be undertaken that affect modal shift and to actually examine them over the course of a year or eighteen months to actually see what the issues are, because us here have an understanding and we know that it is infrastructure and it is planning and it is the multiplicity of agencies involved, but again no one actually has any evidence that this is the case. We have a number of trials ready to go on the river where, if the DfT was to come in behind the 15 or 16 people we have standing around on a site deciding whether this thing would be good, we could resolve it a lot more quickly than we do now.

Q332 Chairman: You are talking about the pilot scheme which, for instance, you did with Sainsbury's? You are saying the Government ought to do that and it ought to do more?

Mr Trimmer: I am thinking that the Government should support the examination of these new trials, and of course the DfT standing behind the operators gets a lot more done than the operators themselves, and I think that would be useful for a number of schemes in the south and north estuaries, inland waterways, to examine whether there are any commonalities in these, such as planning, which could then be addressed through National Policy Statements.

Q333 Chairman: The trouble is that Mr Spencer says once you lay down too many conditions in the planning scheme then he loses access to his grant. Is there more creative planning from the various authorities which could reduce the difference, and if so what is it?

Mr Trimmer: I think there could be. The one thing we have seen in London through the statutory protection of wharfage, which is unique to the river,

6 February 2008 Mr Simon Salem, Mr Mike Garratt, Mr James Trimmer and Mr John Spencer

as I have said earlier on, that is an essential part of maintaining the infrastructure. A lot of the reason why that has happened is that there is a statutory duty on the Mayor of London to promote the safe transport of freight on the River Thames, and that underpins all of the policies he has. Therefore, there are ways in the planning system where it is not just a case of, "Well, we'll just have a condition to make things moved," it is the whole change of educating planners that waterways are an effective way of moving freight rather than just an opportunity.

Q334 Chairman: So we should have pilot schemes, they should be clear, someone should evaluate them and then that information should be widely disseminated?

Mr Trimmer: I think, yes, they should be disseminated and again, as was said earlier in the port session here, the Regional Development Agencies, now they are having an increasing role within planning, are a vital part of the future strategic regional planning. I think this is something which has to be done at a regional level rather than in a small borough.

Q335 Chairman: If the Government is not coming in with sort of constant investment in the infrastructure, is it actually just falling apart? Does that have an effect?

Mr Garratt: I think this is addressing that question. I said before that coastal shipping and inland waterways transport can move nearly as many tonne kilometres as rail does, but there is a focus on rail which I was saying as well.

Q336 Chairman: Well, some of us might doubt that, but we will take your word for it.

Mr Garratt: There is a single network provider, for example, and there are various elements which make it easier to focus on. The contribution which short sea shipping, coastal shipping and inland waterways can make is very fragmented both in departmental terms and geographically, and I think more concentration on that to work out what would work would be quite useful.

Q337 Chairman: Mr Spencer, you are concerned about the training and development of employees because you do not think the workforce has the necessary skills?

Mr Spencer: Very much so.

Q338 Chairman: So what can the Government do to ensure training opportunities?

Mr Spencer: One of the big problems is that we tend to get employees from somewhere near the bottom of the barrel because this is seen by young people as a sunset industry, there is no future in it. They have got the idea, and I can understand why, that this is all going to disappear in a few years and that there are no careers to be had in inland waterways transport. Probably before about 2000 they were not too wrong, but now there is a demand and it is growing. We need to persuade youngsters that this is a career path worth following.

Q339 Chairman: So what has the Government got to do to help that?

Mr Spencer: Well, I think the general level of education has got to improve. I mean, we have got people who struggle to communicate in their own language, so that is a bit of a problem!

Q340 Chairman: That does not make them altogether unique, unfortunately, and they are not all in inland waterways, believe me!

Mr Spencer: No, that is absolutely true, but people do need to be able to communicate. When they cannot it is a real issue. We find that we have got lots of young lads who come along and what we do is not easy, you know. What we do is tidal and it means you cannot go out on a Friday night because you know the tide is at ten o'clock at night.

Q341 Chairman: I have known some watermen who would find that a difficult condition, but perhaps they were working in a different industry!

Mr Spencer: To be honest, I struggle to see what Government can do because kids can do other things than this, so that is one of the big issues we have got. Kids can very readily go and work in, if you like, Tesco's or Sainsbury's, have set hours and life is easy for them. Doing what we do is not easy. They can earn more money, but it is not easy.

Q342 Chairman: Do you go around the schools?

Mr Spencer: We do.

Q343 Chairman: Do you positively go out to recruit? Do you offer them work experience?

Mr Spencer: We do.

Q344 Chairman: You do, and that is not working and you are saying it needs something more than that?

Mr Spencer: No, what happens is that they will come along. It sounds like a good idea sometimes and when they realise that it is necessary to go to work at three o'clock in the morning because that is when the tide is, they decide that is not really for them! It is understandable, perhaps.

Q345 Chairman: It is not quite so attractive.

Mr Spencer: Yes, but I do not know what Government can do particularly, other than increase the general level of education and perhaps promote this industry as not being a sunset industry. There is not much else that you can do because it is not easy. Three o'clock in the morning on a Monday morning is not a good time to go to work really.

Chairman: No, Mr Spencer, I imagine you would have difficulty changing the tides!

Q346 Clive Efford: Can I ask, what do you pay? I am sure it is the marketplace and if you pay enough people will turn up and work.

Mr Spencer: Well, for starters, for a young lad starting they only start on about £14,000, and then the skipper on the inland side is earning about £50,000 a year these days.

6 February 2008 Mr Simon Salem, Mr Mike Garratt, Mr James Trimmer and Mr John Spencer

Q347 Chairman: But you are still not bringing them in?

Mr Spencer: No. Luckily, this week I actually had a young lad who says he wants to be a marine engineer and the school phoned up and said, "This guy wants to do work experience." I couldn't believe it. It's fantastic. The placement was there instantly. I didn't even have to ask him questions, because it is so rare. He's the first guy who wants to be a marine engineer ever!

Q348 Chairman: Well, that is a rather sad state of affairs.

Mr Spencer: It is, unfortunately, but it does not prevail in Holland, you see, this is the problem. Because we have got an operation in Holland, we see lots of youngsters actually wanting to be involved, wanting to learn the skills that surround inland transport –

Q349 Chairman: I think you are suggesting that we dig a few dykes and if the country is at risk from the sea you think maybe we might do better –

Mr Spencer: We have forgotten that we are an island, that is the problem. We have forgotten that we are an island. Lots of ports are neglected and run down. When the Dock Labour Scheme finished all the small ports fell into decline, necessarily because suddenly the larger ports became more attractive, and so we have forgotten that we are an island. If you go to any port in the UK you will see many, many more European ships than you will British ships. There is a variety of reasons for that, but our industry has been neglected over the years.

Q350 Chairman: That is all very interesting and very important and we have certainly taken note of that. Finally, do you think the industry as a whole protects wharf sites itself? I understand all the difficulties you were telling us about earlier on. We understand this Committee, after all, looked very closely at inland waterways and the problems there were on individual sites, but does the industry itself make a concerted effort to go out and acquire the sites and hold people off and say to the equivalent of Canary Wharf, "Tough! This is actually something we need"?

Mr Trimmer: I think in the past there was a lot more readiness to sell wharves for other development when it was perceived at the time they no longer needed them. We had a wharf in Fulham, a safeguarded wharf, that was sold by Blue Circle to, as far as we are aware, fight off the bid from Lafarge

to take over. Blue Circle sold to a housing developer. We were looking to reactivate the site, so we went to the market to see what operators were interested and Lafarge, who by that time had acquired Blue Circle, was one of the parties interested in acquiring the wharf. So I think now there is a much greater understanding that once these sites are lost that is the end of it and that their immediate views on cargo handling may not be strategically what they are looking at, and I think they are looking now, certainly on the Thames, far more strategically.

Q351 Chairman: It is very interesting that you mention that site. That was one which actually coloured my childhood and I can tell you that it was not what was regarded by Fulham as the most popular site in the world!

Mr Garratt: I just want to say that globalisation means there is more port traffic and this is part of what is driving it, because companies are recognising they need waterside locations in order to trade, import, store and warehouse, and so forth. So in that respect water transport, waterways and coastal shipping go hand in hand with the port discussion you were having in the previous session.

Q352 Chairman: I think, gentlemen, what is interesting to this Committee is that we have always supported the work that you do. We are very concerned about it and we think it has enormous power to influence not only the environment but also the industrial and political development of the waterways industry, but I do wonder—and forgive me, this may sound somewhat unkind—how much effort the industry itself puts into making its case?

Mr Spencer: From my point of view, I have got to say that we have developed a business with inland waterways transport which really did not exist for us in 2000. So from our point of view I think we do pretty well as much as we can do, and to be honest we have persuaded the likes of Capespan, CEMEX and Hanson to get on board and give it a go, so I think some of us give it a good go.

Mr Garratt: I will take that as a hint that Sea and Water should do better!

Mr Salem: I would certainly echo that we think it is very important for the industry to put up a united front. It is a very small industry from the total perspective and we will be supporting Sea and Water and others in doing that in the next few years.

Chairman: I think this Committee will continue to take your interests seriously and I hope that our completed report will at least say some things you want to hear.

Wednesday 27 February 2008

Members present

Mrs Gwyneth Dunwoody, in the Chair

Clive Efford
Mrs Louise Ellman
Mr Philip Hollobone
Mr John Leech

Mr Eric Martlew
Mr Lee Scott
Graham Stringer
Mr David Wilshire

Witnesses: **Ms Helen Watson**, Head of Economic Policy and International Aviation, Economic Regulation Group, and **Mr Graham French**, Manager, Air Transport Statistics, Economic Regulation Group, Civil Aviation Authority; **Dr Jonathan Bailey**, Director of External Affairs, and **Mr Geoff Muirhead CBE**, Group Chief Executive, Manchester Airports Group, gave evidence.

Chairman: Good afternoon, gentlemen and madam. I do apologise for keeping you waiting. I am afraid we had some business to carry out. Can I ask the Members having an interest to declare?

Graham Stringer: A member of UNITE.

Mr Martlew: A member of UNITE and GMB.

Chairman: ASLEF.

Mr Leech: I am not sure whether I need to declare an interest as a member of Manchester City Council, who of course part own Manchester Airport.

Q353 Chairman: We all have our crosses to bear! I do not think you do, but frankly we will record it. I think it is called "belt and braces". I am very grateful to you for coming this afternoon. Perhaps you would kick off by identifying yourselves, starting on my left.

Dr Bailey: Jonathan Bailey, External Affairs Director for Manchester Airports Group.

Mr Muirhead: Geoff Muirhead, Chief Executive, Manchester Airports Group.

Mr French: Graham French, Air Transport Analysis Manager, Civil Aviation Authority.

Ms Watson: Helen Watson, Head of Economic Policy and International Aviation in the Economic Regulation Group, Civil Aviation Authority.

Q354 Chairman: Does anybody have any very brief remarks they want to make? No? That is very helpful. Can I ask you in general, do you think the Government's approach to air freight is appropriate to support a healthy UK air freight industry?

Mr Muirhead: I think if you look at the Aviation White Paper it was generally supportive of the air freight industry, so within that context I believe the Government has a policy which supports the proper development of the air freight business.

Q355 Chairman: Is it commensurate with the importance of the industry to the UK economy?

Mr Muirhead: Perhaps not so. There are many issues coming forward which make air freight challenged in its ability to grow, not least of which is taxation which is being applied to the aviation industry generally and the proposal to put it onto air freight specifically is the subject of a recent consultation document which the Government has put out. Air freight is a very competitive marketplace and I think the implications of taxation need to be well

considered before they are applied, and it is interesting that it is applied in a disproportionate way. It seems to be applied to aviation and not to other transport sectors.

Q356 Chairman: So you are saying the Government does not fully understand the issues which are faced by the industry and perhaps does not entirely consider its perspective?

Mr Muirhead: I am not necessarily saying it does not fully understand, but the consultation document has some elements to it which give cause for concern.

Q357 Chairman: Would you like to comment on that?

Ms Watson: I do not think I have anything to add.

Mr French: No.

Q358 Chairman: Do you think the Government allows air freight to compete fairly with other modes of freight transport in a free market?

Mr Muirhead: Going back to what I said previously in respect of the disproportionate approach in terms of taxation, aviation in general is a global business and we require international agreements in respect of a level playing field. We are having a unilateral approach in this country to taxation on aviation, which is putting the industry at a disadvantage, there is no doubt about that.

Q359 Chairman: Which particular bits of taxation, Mr Muirhead? Do you want to be specific?

Mr Muirhead: APD in particular, Air Passenger Duty, which currently collects £2 billion from the aviation industry out of the UK and is not applied to our competitors across Europe, and the recent consultation is indicating the Government's desire, or shall I say the Treasury's desire, to increase that to £2.5 billion in 2009.

Q360 Chairman: So do you think, for example, the amount of money which is going into the rail infrastructure from the Government in any way has an effect upon air freight?

Mr Muirhead: I think the air freight industry is focused on high value goods and as such to compare air freight with trains or shipping is perhaps the wrong approach. I think the issue is that the country's prosperity does require an approach

27 February 2008 Ms Helen Watson, Mr Graham French, Dr Jonathan Bailey and Mr Geoff Muirhead CBE

which is recognised by Government towards adding value, and it is the high value goods which do that and it is those goods which are mostly transported by air.

Q361 Chairman: So should there be, in effect, equivalent sources of public funding for the development of the air freight industry?

Mr Muirhead: I do not think the aviation industry needs funding, I think it just does not need penalising.

Q362 Mr Hollobone: Night time slots at airports is a very controversial issue for people who are woken up in the early hours. How should the balance be struck between the needs of freight operators and the environmental noise considerations associated with additional night time capacity?

Mr Muirhead: That is a very difficult question for me to answer. Maybe the CAA will have something to say on that.

Q363 Mr Hollobone: But Manchester Airport Group actually operates quite a lot of airports outside Manchester, including East Midlands?

Mr Muirhead: We do indeed, which is, according to the Government's white paper, a big area for development in night operations. It is difficult for us as operators to get that right balance because we have an interest, obviously, in seeing it grow. So there is a judgment call, I think, which Government has to make in terms of where and how and what level is appropriate in terms of night operations. There is no doubt there are some very key business imperatives around night operations in terms of business efficiencies, next day deliveries, which are critical to business performance going forward, so I do not think anyone is suggesting we should not have night operations. Equally, it does cause some problems to people who live around airports. The industry has a track record of reducing noise around airports, despite the growth in the industry. I think the noise profile, for example, around Manchester is less today than it was in 1992, during which time the traffic has more than doubled through Manchester. So the use of technology to offset noise impacts, the use of flight routes which impact on the fewest number of people, looking at the way in which an airport actually operates in the community in which it sits and designing low noise corridors are the ways in which you can start to balance out the impact of aviation on the negative side to the impact of aviation in terms of night movements on the positive side.

Q364 Mr Hollobone: What is the CAA's view?

Ms Watson: I know that the Government's policy on night flying, which regulates night flights at Heathrow, Stansted and Gatwick, does aim to balance the trade-off which my colleague from Manchester has just mentioned and it does that through an overall limit on movements and also a quota count system, which is calculated according to

how noisy the aircraft is, and that is the bit where the Civil Aviation Authority has a role in rating aircraft according to how noisy they are.

Q365 Mr Hollobone: What about the other airports?
Ms Watson: I think the Department for Transport only regulates the night flying regime of those three main ones and at other airports local rules can be applied.

Q366 Mr Hollobone: So would you say that the Government does have a coherent approach to making decisions about night flying, or is it actually inconsistent?

Ms Watson: I do not really have a view on that.

Mr Muirhead: For me it is coherent in as much as it is explained in the white paper, which is the Government's approach to aviation per se. I think airports, through the consultative committees and general conversations and agreements with local communities, do have caps on movements. I know, for example, at Manchester there is both a noise and a movement cap during the day and at night at different levels.

Dr Bailey: Could I just add there as well that the night noise policies at each individual airport are designed to take into account local circumstances. So within the overarching policy framework set by Government, East Midlands, for example, has a very detailed night noise policy. As Mr Muirhead has just described, though, night flights are absolutely essential to the operation of that airport. It is the UK's largest pure freight hub with express operators who offer, as their key product, next day delivery, so they cannot offer their product if you take night flights away. The Royal Mail has its largest base at East Midlands Airport. Again, for next day deliveries, first-class mail, that is essential. So within all of that it is very important for the airports themselves to have commercial freedom, but to take into account very seriously the issue of noise disturbance. That is why at East Midlands there is a very detailed noise policy. There are quieter aircraft, there are fines, there is a very strict regime with certain aircraft not permitted to be scheduled at night, and so on. Just touching briefly on the point Mr Muirhead mentioned about the population at East Midlands Airport, to take that example, there are 150,000 people living within six miles of the airport. When you look at Birmingham it is 500,000 within that sort of distance, and at Heathrow the number is three-quarters of a million. So there is also some logic, I think—although night flights are a problem—in focusing on airports which have the least impact on people.

Q367 Mr Hollobone: With the Government's framework of regulations on noise controls does the air freight industry have enough certainty to plan its operations, or do you require more clarity from the Government?

Mr Muirhead: Generally, I would think that business does not have much clarity and certainty about any development. There is a whole range of

27 February 2008 Ms Helen Watson, Mr Graham French, Dr Jonathan Bailey and Mr Geoff Muirhead CBE

issues once you get beyond the policy framework in terms of local impact which puts some doubt into the ability to deliver investment.

Q368 Mr Hollobone: You have mentioned that East Midlands is the largest or the busiest dedicated freight airport. Should the Government be considering the establishment of any more dedicated freight airports, and if so where should they be?

Dr Bailey: Just on establishing dedicated freight, one point of clarification is that East Midlands Airport also has a very busy passenger operation as well and in terms of establishing dedicated freight airports there is a difficulty in having just one type of business operating in an airport. You would not make the best use of the available capacity. So operating as a commercial entity it would be very difficult, I would say, for an airport to be viable with only a freight element. Having said that, it can be the lion's share of the business.

Q369 Chairman: You have started a couple of hares running.

Mr Muirhead: Could I just clarify one other point on that, because it is very important? While East Midlands is the largest UK airport for pure freighters, Heathrow is by far and away the largest airport in the UK that carries freight, and it does not carry it on freighters, it carries it on the long haul aircraft, in the belly hold of long haul aircraft.

Q370 Chairman: What you are really saying is that the problem you have at East Midlands is that it is very specifically freight traffic in that sense, whereas at Heathrow they will almost inevitably be passenger planes?

Mr Muirhead: Yes.

Dr Bailey: Yes.

Q371 Mr Leech: In terms of expanding air freight, are the constraints on night flights through the regulation at the London airports more of a problem or less of a problem than the constraints put on by local agreements at the other airports around the country?

Mr Muirhead: Considering the movement restrictions rather than freight per se, particularly at Heathrow, where basically you cannot fly at night as things stand, then clearly that has to be more restrictive than any other airport. I think the restrictions we have within the context of the white paper are manageable, that we can get the balance right between growing the business and investing in new technology which will lessen the impact but still get the benefits.

Mr Hollobone: Just on the issue of new technology, a slightly different question: when I spoke to people within the air freight industry they were saying they rely on planes which are no longer being used for passengers and which are re-fitted for freight. Is there a potential problem in terms of freight lines using older planes and therefore creating more carbon emissions? What work is being done to ensure that freight lines will ultimately be using the newer, less polluting aircraft?

Q372 Chairman: I do not think we can hold Mr Muirhead responsible for every airline! Is there a problem with the movement of older planes being used for freight?

Mr Muirhead: At Manchester, for example, a lot of the freight which comes in on pure freighters is on 747-400 aircraft and they are certainly still being used for passengers. At East Midlands I know that DHL, the main integrator there with a big investment on the ground, has moved away from 727s to 757s, which are still being used extensively around the world as passenger aircraft. So I think there is an issue about the viability of ultra-modern aircraft, but there are still quiet aircraft (in relative terms) being employed by the freight operators and that has been encouraged by the pricing formulas which we have, which encourages the use of quieter aircraft with price differentials for using noisier aircraft.

Q373 Mr Martlew: Just to follow up from Mr Hollobone, if you look at a map of Britain and you look at the airports, I suspect that the majority of them started off as military air strips and I am not sure that they are in the right place. I would like your comments on that and whether we should be actually building more airports in the relevant areas. The other thing is, Mr Bailey depressed me a little because my local airport has just been bought by what used to be the Stobart Group and basically is going to be used in the main for freight, and you are saying that is not viable. I just wonder whether that is the case. Firstly, have we got to be building any more new airports and are the existing ones in the right place?

Mr Muirhead: Are the existing ones in the right place? If I could take that first, they are where they are and they were located originally close to centres of population because they were built in order to protect centres of population. So fundamentally I think the airports are in the right place. East Midlands is very strategically centred for the freight industry with 80% of the UK population within reach of East Midlands Airport in four hours. Freight does travel further than people do without too many complaints because it does not have a big voice, but airports around the country are able, I think, to manage the freight business fairly effectively.

Q374 Mr Martlew: So we do not need any new ones?

Mr Muirhead: I don't think you need any new ones and I think if you did it would be very hard to actually bring that about. If I could turn to the other point about freight only, at Carlisle we were talking about, freight is competitive for high value added goods. It is not competitive when you put it against shipping or trucking generally for the heavier bulk goods, which is why air freight accounts for 1% by volume of goods and about 30% by value. I think that relationship needs not to be forgotten in the equation about whether air freight is good or bad. While there may be more pollution associated with it, there is a heck of a lot more value associated with it as well.

27 February 2008 Ms Helen Watson, Mr Graham French, Dr Jonathan Bailey and Mr Geoff Muirhead CBE

Q375 Graham Stringer: The main hubs for freight in Europe are Brussels and Charles de Gaulle. Does the fact that we have not got the same quantity of high value goods going through it mean that the UK economy is losing out because of that, and if we are what can we do to compete, or is it too late?

Mr Muirhead: I don't think it is ever too late. It is interesting that Brussels is a big hub. If we go back, I think a year or so ago, DHL had their main base at Brussels and wanted to expand. They got into some difficulty in getting permission to expand and they are now building another hub at Leipzig. If you look at flows of traffic, it is the Far East that is really growing in the air freight market and actually coming into Eastern Europe is a much better point and distributing from there. The UK is situated very much to be the appropriate bridge to America –

Q376 Graham Stringer: But the American company is based at Brussels, is it not?

Mr Muirhead: DHL have a big base at Brussels, but they have a fairly big base at East Midlands and we are working very hard to get UPS interested in East Midlands as well.

Q377 Graham Stringer: Have the Government's estimates for the growth in air freight accurate?

Mr Muirhead: I have no reason to think they may be inaccurate.

Q378 Graham Stringer: Who should pay for the extra investment and facilities to accommodate what is a 15 fold increase in air freight by 2030 if the Government's estimates are right? Who should pay for that, the Government, should Alistair Darling pay for it, or should airports and the freight carriers?

Mr Muirhead: We may say it would be wonderful to get the Government to pay for anything to do with aviation and there is no track record of that happening.

Q379 Graham Stringer: Who should? I am asking an "in principle" question, particularly in the context of competition with other countries. Who should pay?

Mr Muirhead: We should always seek a level playing field so that we are able to compete effectively in the marketplace.

Q380 Chairman: Are you saying that those other airports, the ones which were mentioned by Mr Stringer, are being subsidised in some way by the Government?

Mr Muirhead: Not necessarily by Government but I know the EU has particular funds which it puts into airport development.

Q381 Chairman: Charles de Gaulle or Schiphol, or Frankfurt? Which are we talking about?

Mr Muirhead: None of those, but I think Madrid had a big investment from the EU recently and there is a whole range of issues always about subsidisation and illegal subsidies. What do I think? I think aviation, whether it likes it or not, is going to have to compete by funding its own investment. Whether that is fair or not, that is the reality we are going to

have to live with, and the industry has lived with that reality for a while and I see no reason why it cannot live with it in the future. My worry is that we are going beyond just living with our own investment to also paying for general taxation on top of it.

Q382 Graham Stringer: What are the barriers to growing the airports industry?

Mr Muirhead: The barriers to growth are about always changing noise climates around airports. There is always a great reluctance to see that. Developing new capacity brings with it many, many problems. Changing air space always brings lots of complaints. There are many sorts of barriers to entry of that nature in terms of developing new capacity, but fundamentally outside of the South East there is capacity to see the air freight industry grow.

Q383 Graham Stringer: Has de-designation of Manchester Airport helped the freight industry?

Mr Muirhead: It is too early to say.

Q384 Graham Stringer: Do you expect it to then?

Mr Muirhead: I expect de-designation to help our competitiveness in the medium and long-term.

Q385 Graham Stringer: How?

Mr Muirhead: Economic regulation has some unintended consequences, not least of which is that you start acting as though you can put your prices up relative to whatever you want to spend in the business. Really regulation sets you against your customers. It is a confrontational process that you go through and customers and suppliers should actually be trying to develop partnerships where there is mutual benefit. So I think the big benefit that Manchester would have, apart from the obvious direct costs savings which come from de-designation—for example, next year that allows us to avoid having to pay £2 million for the privilege of being economically regulated—it is cultural change that I am really looking for that will take the business forward. So we start acting like we are in competition. Not that we haven't for a while, but endemic through the business we will have people who know that they are in competition.

Q386 Graham Stringer: My final question. You have said that whatever you would like, you would expect the private sector to have to pay for most of the extra capacity that air freight might need. What could the Government do which would help the growth of air freight in this country?

Mr Muirhead: I think there are issues around supporting access to airports.

Q387 Graham Stringer: The main roads and trains?

Mr Muirhead: Yes, rail and road access would be helpful. More than that, the real thing which worries me is that are competing on an ever more tilted field against us. What the Government could do, regardless of whether it was more taxation or less taxation, would be to seek to have a European-wide framework for the regulation of aviation industry in terms of taxation. That will allow us to compete

27 February 2008 Ms Helen Watson, Mr Graham French, Dr Jonathan Bailey and Mr Geoff Muirhead CBE

effectively and I think if we were allowed that, our track record is such that we would compete very, very effectively indeed.

Q388 Chairman: The difficulty we face, Mr Muirhead, is that you say the playing field is getting tilted but we actually need evidence of that. You are saying in taxation, you are saying in subsidy? What are you saying precisely, and where could we obtain those facts and figures to demonstrate what it is you are talking about?

Mr Muirhead: There have been many studies. Some of them are now out of date and I think they do need to be revised. We will be working with the trade bodies, the AOA in particular, to develop an analysis which would indicate the impact of the proposals relative to that and I am quite happy to say that we will be able to forward that to the Committee in the fullness of time.

Chairman: That would be very helpful.

Q389 Mr Scott: How would the aviation inclusion in the European Union Emissions Trading Scheme affect the air freight industry?

Mr Muirhead: I think, from our perspective, as long as it is not added to APD, the Airport Departure Tax, so long as it replaced it and put the industry on a level footing throughout Europe, it is where it is. The Manchester Airports Group and I think aviation generally is supportive of its inclusion in the Emissions Trading Scheme, so I do not think there is anybody who would come before you, an airline or an airport, who would argue that that wasn't something that was going to happen and would be appropriate.

Ms Watson: I would agree with that. The Emissions Trading Scheme seems a very good way to ensure that aviation is meeting its environmental costs and under current proposals pure freight aircraft would be treated the same way as any other passenger craft, which seems to me to be right.

Q390 Mr Scott: So do you think the measures would be enough to ensure that the air freight industry pays for all its own external costs?

Ms Watson: I think that would depend on the final form of the scheme, the final benchmark that is decided, how allowances are allocated, whether they are auctioned or given freely. It is quite difficult to balance the equation until the final form of the scheme is known.

Mr Muirhead: On that, it is important to recognise that aviation with its £2 billion current charge for Airport Departure Tax more than covers its full external cost in terms of environmental impact. I think the environmental impact of UK aviation has been calculated at something less than £2 billion, so if you are only looking to cover the environmental impact the UK aviation industry is already doing that.

Q391 Mr Scott: Manchester Airports Group has said that it favours aviation inclusion on the EU Emissions Trading Scheme and that the market rather than the Government's incentive should be

used to promote different transport modes. What Government incentives are currently available to airports?

Mr Muirhead: Do you know of any, Jonathan?

Dr Bailey: None to airports.

Mr Muirhead: Plenty of penalties, but we do not know of any incentives!

Mr Scott: That is a nice simple answer then. Thank you.

Q392 Chairman: It is very helpful for us to know what is going on. Have you thought about the effects of the Government's May 2006 announcement on noise quota at London airports? Is that going to have any effect? Will it affect you in any way by knock-on effect or by setting a precedent?

Mr Muirhead: There is always a possibility that climates which are set around and affect one airport will be used as leverage to clamp down the opportunity at other airports, so in terms of that yes, it is a risk. It has been a manageable risk up until now because these limits in terms of movements and noise at London airports have been in effect for many years.

Q393 Chairman: You did make the point about the high cost, that air freight may be only 1% but the actual value may be something like 30% you said, which is slightly higher than the figure we have got. So are charges for freight aircraft at designated airports appropriate in comparison with passenger aircraft?

Mr Muirhead: Well, obviously we think so because that is the framework which we have adopted in our pricing policy.

Q394 Chairman: So the current arrangements where you cannot at a designated airport charge more for cargo aircraft than a passenger aircraft is going to continue, is it?

Mr Muirhead: Do we charge more for a freight aircraft than a passenger aircraft?

Q395 Chairman: I understood that designated airports cannot charge more for an all-cargo aircraft.

Mr Muirhead: We may charge less.

Q396 Chairman: Is that not right? I am open to any kind of correction.

Ms Watson: That is correct. The current condition is that at designated airport the airport charges cannot be higher for an all-freight aircraft than for passenger flights.

Dr Bailey: It can be lower.

Ms Watson: Yes, it can be lower.

Q397 Chairman: You are a born trader, Mr Muirhead. It always encourages me.

Mr Muirhead: If you look at freighter use of infrastructure, freighters use the runway just like aeroplanes carrying passengers do, but they park remote and they have freight facilities. They do not require terminals and they do not provide the same

27 February 2008 Ms Helen Watson, Mr Graham French, Dr Jonathan Bailey and Mr Geoff Muirhead CBE

sort of burden on the ground transport infrastructure, so I think there is a very strong case to say that on a cost recovery type of basis freighters should indeed be charged less than passenger aircraft.

Q398 Chairman: Would Stansted Airport benefit from a similar decision? De-designation at Manchester must have affected its freight movements?

Mr Muirhead: I think that is a matter for Stansted. Stansted does not have a huge freight operation.

Q399 Chairman: What kind of proportions are we talking about? Do you know, approximately?

Mr Muirhead: I think Stansted is around about 200,000 tonnes or so freight a year, something of that order.

Dr Bailey: That is right.

Q400 Chairman: In your estimation, it is something they would have to deal with because you have not got a clear view of whether it would help them or not?

Mr Muirhead: I think it is something they would have to take a view on, and it depends what they think they can get value out of their infrastructure.

Q401 Chairman: I think it has been extremely helpful to us. May I just ask you in passing, Ms Watson, are the current forecasts for air freight adequate?

Ms Watson: Could I pass that over to my colleague?

Mr French: I think the forecast you quote in your call for evidence, the 14 million tonnes by 2030—obviously you will be talking to the Transport Minister later, but my view is that they are probably not the latest forecasts from the Department for Transport.

Q402 Chairman: What would you tell us instead?

Mr French: The 2007 document on forecast for passenger demand and CO2 emissions which the DfT put out, indicated that freight tonnage, they thought up to 2010 will remain broadly steady and thereafter grow in line with the forecast made in 2001, which I think is about 5.5% per annum. Now, a back-of-the-envelope calculation would indicate that would be something around 7 million tonnes of freight by 2030.

Chairman: I am glad you can do that calculation on the back of an envelope, Mr French!

Q403 Mr Leech: Why has it been reduced by about 50%? It is 14 million down to a 7 million increase? Did I hear correctly?

Mr French: Yes, that is correct.

Q404 Chairman: No, we are talking about 5.5% in the future.

Mr French: In the document I mentioned it says that growth in the 1990s was between 6 and 8% per annum and from around 2001 through to the present it has been around 2% per annum in terms

of air freight tonnage. In the DfT document several reasons for this have been suggested, including increased capacity and frequency of shipping services, aviation fuel prices rising faster than shipping fuel prices, disruption to air services during 2001 and 2002 and the increasing importance of the Far East market.

Q405 Chairman: Do you think the current forecast ought to be updated on a regular basis? Is that what you are saying?

Mr French: Well, I think they probably have been on a fairly regular basis, long-term forecasts such as this up to 2030. I certainly know the DfT's underlying passenger demand forecasts tend to be only updated every five years, which for a long-term forecast like that is probably enough.

Q406 Chairman: Mott MacDonald thinks we ought to have different ways of categorising air cargo forecasting by marking segments. Have you got a view on that?

Mr French: It probably depends what you are going to use the forecasts for. If the forecast is just the component of looking at the total air traffic demand, then given that freight is a relatively small component of that it might not be appropriate to model freight in quite that much detail.

Q407 Chairman: I think what they were proposing was a number of new categories, air, express traffic carried on cargo, general air freight carried on cargo, general and air express traffic carried in the lower holds, domestic air mail and international air mail. Does that seem logical to you, given that it is the adequacy and the accuracy of this information which will determine not only Government policy but also the response of elected Members to these figures?

Mr French: In forecasting these sorts of things it is normally reasonable to try and segment the market down into different things which can be explained by different underlying factors such as GDP, but without doing that analysis up front you then find out that maybe all of the air freight volume is just as equally related to, say, for example GDP, and then there is no good reason to split it out.

Q408 Chairman: So is there a particular set of factors that would drive demand for freight through UK airports?

Mr French: Not one that I know of, but I would imagine that is the sort of thing the Government will have considered, both in their 2001 freight forecasts and their more recent ones.

Q409 Chairman: You have all been extraordinarily helpful. That is very kind and I am very grateful. I assume, Mr Muirhead, you were saying that more rail links to airports would be very useful for freight transport, just not for passengers alone?

Mr Muirhead: For all types of usage, I think intermodal interchanges and making the best use of resources by bringing these facilities together is an

27 February 2008 Ms Helen Watson, Mr Graham French, Dr Jonathan Bailey and Mr Geoff Muirhead CBE

integrated approach to transport. The word may have fallen into disrepute, but that does not make it wrong.

Q410 Chairman: So is there any point in looking for some kind of study which gives us some ideas and accurate information to work on?

Mr Muirhead: I think there are some studies which could be sensibly carried out. Manchester has a rail link. It is getting a new platform built for it because it has been so popular. It can be connected to the West Coast Main Line with some investment. These sorts of things all need to be looked at.

Chairman: Sirs and madam, thank you very much for your evidence.

Witnesses: **Mr Tim Ingleton**, Head of Regeneration, Dover District Council, **Councillor Paul Watkins**, Leader of Dover District Council, and **Mr David Sheppard**, Deputy Head of Transport, John Lewis Partnership, Central London Freight Quality Partnership, gave evidence.

Q411 Chairman: Good afternoon, gentlemen. I am sorry to have kept you waiting a little. I must point out we have just received a message saying that Patricia Brown, Chief Executive of the Central London Partnership is no longer joining us. I am not clear why, but we will enquire. Can I ask you firstly to identify yourselves for the record, starting on my left?

Mr Sheppard: I am David Sheppard and I am a member of the steering group, Central London Freight Quality Partnership, as well as being Deputy Head of Transport for the John Lewis Partnership.

Councillor Watkins: I am Paul Watkins, Leader of Dover District Council.

Mr Ingleton: I am Tim Ingleton, Head of Regeneration, Dover District Council.

Q412 Chairman: Thank you. Did any of you want to say very briefly anything before we start, or may we go straight to questions? How well are local authorities equipped to understand and deal with freight transport issues?

Mr Sheppard: I will start. Having dealt with local authorities now for probably about five or six years on freight traffic, it has come to my notice that they are probably not well-equipped, and I do not mean that in a derogatory manner. I think it is because local authorities tend to focus in on public transport, moving people, and it is something which the Freight Quality Partnerships have been trying to move towards and trying to get all interested parties in local areas to work together and understand each other's issues, because we have a common customer, who is the member of the public, and from a retailer's point of view, from the Freight Quality Partnership's point of view and the local authority, we have one customer to serve and we do in many instances seem to be working against each other.

Q413 Chairman: As a matter of interest, Mr Sheppard, because you cover a large number of population centres and John Lewis is usually very advanced in the way it does these things, do you have some sensible sort of routine structure which you follow if you have a particular transport problem in relation to the local authorities in each area, or is it just done on an ad hoc basis?

Mr Sheppard: It is generally done on an ad hoc basis. Obviously, since the Freight Quality Partnerships have emerged I have attended probably six or seven across the country and I do find them very useful

from both sides. They learn from me and I learn from them, particularly within London with the Central Freight Quality Partnership. I think that is very useful.

Q414 Chairman: So that is constructive and you can have a direct feed into what is being discussed?

Mr Sheppard: Absolutely.

Q415 Chairman: Councillor Watkins, Dover is very involved in Transport at every level. What is your view of how local authorities are equipped to deal with the question?

Councillor Watkins: I certainly do not support the opening statement of Mr Sheppard. Certainly as far as we are concerned we have a very direct impact on the freight services through our town and as a local authority if we did not take that interest, then it would be to the detriment of our community.

Q416 Chairman: But do you think that is possibly because Dover's real function is to be not just a port but an entry port, a way of facilitating large amounts of freight in and out of the United Kingdom? Do you think yours might be a very specialised background which is not found in other local authorities?

Councillor Watkins: Yes, I would say it is, but in making any presentation today we are also bringing evidence from the rest of Kent and from our neighbouring authorities, and as far as they are concerned they have a very great interest in freight movements in and around the county, and indeed in the South East. I think it is one of the most significant factors. Our neighbouring authorities along the M20 have formed their own Channel corridor partnership to deal with the freight issues on the M20 and particularly in relation to Operation Stack when that comes into effect with the local community in terms of its environment, its economy and how local towns function when that occurs.

Q417 Chairman: Do you really think that local authorities in general, not just Dover, have got sufficiently experienced staff to deal with these problems?

Councillor Watkins: Yes, I think they do. If you put the number of staff from where we are located, district councils and county councils together, we have highway staff at both levels who integrate to deliver obviously on local plans, the regional plan. I, for instance, am a member of the Regional

27 February 2008 Mr Tim Ingleton, Councillor Paul Watkins and Mr David Sheppard

Transport Board for the South East and I have seen the significance of dealing with these major issues, and freight is the major issue so far as the South East is concerned. Without the bottlenecks coming through Dover and through the Channel Tunnel, obviously UK plc would be grinding to a halt to a certain extent.

Chairman: Yes. I think Mr Martlew wants to ask you something on that.

Q418 Mr Martlew: You do not seem to accept that your authority or the neighbouring ones could be a special case, and I think they probably are if you look at the rest of the country, but is it not the fact that very often local authorities when they are dealing with freight, especially vehicles, are trying to restrict them entering an area, it is not for the advantage of the freight haulier or getting the goods to the customer, it is for, probably rightly, the benefit of the residents and the electorate in that area? So it is actually skewed towards making it better for the people who live in the area, but it does not facilitate helping to get freight from one part of the country to another?

Councillor Watkins: I can accept that viewpoint. In certain parts of the country if you are on major transport routes obviously from a local authority's point of view they will see the majority of freight wanting to pass through those areas in a quick, efficient, environmentally sensitive way.

Q419 Chairman: You mentioned the local transport plans. They are not as prescriptive about freight issues as they were before. Has the guidance changed in the way local authorities deal with freight issues?

Councillor Watkins: I will let me colleague deal with that.

Mr Ingleton: Yes, I think it possibly has to some degree, although because of our uniqueness at Dover, of course, the major roads which pass through the area are the responsibility of the Highways Agency and what the County Council has sought to do through its application of the local transport plan is recognise the UK connection and the gateway function, in effect supporting the various calls which have been made to upgrade parts of those routes and address some of the consequential problems that arise along them.

Q420 Chairman: But would you think other local authorities might find it different?

Mr Ingleton: I think that is possibly the case, yes.

Q421 Chairman: In any particular way?

Mr Ingleton: I think it is often difficult to address these issues single-handedly. What they need to do is work with the freight industry. For example, we have experiences in Dover where (in liaison with the County Council) we have actually produced a freight map which seeks to channel freight traffic to the appropriate quarters in Kent, and equally we have been working with the Highways Agency and also the Department for Transport on the overnight lorry parking issue.

Q422 Chairman: Just to relate it specifically to Dover before I pass you on to one of my colleagues, you have for a very long time been operating this upmarket queue when you get a lot of pressure on the port. Am I correct in saying it is some years now?

Mr Ingleton: It is, Chairman, yes.

Q423 Chairman: Is that the right way round, or do you think that actually by now somebody ought to have come up with a better solution than having a lorry park on a major road?

Mr Ingleton: Yes, Chairman, I would absolutely agree with that. It has been in operation nearly ten years and I think from a number of studies which have taken place over that time they all really point to the need for a permanent solution.

Q424 Chairman: What is being suggested by the local authority then?

Mr Ingleton: We have been engaging with the County Council, who I understand are in liaison with the Department for Transport looking at alternatives, and I think it is almost certain that it will be a lorry park in some way, shape or form on both routes.

Q425 Chairman: So what you might call a leisurely approach, Mr Ingleton?

Mr Ingleton: I think it has been difficult and probably too long in the making.

Q426 Chairman: Measured, perhaps?

Mr Ingleton: Yes.

Councillor Watkins: Slow progress, Chairman.

Chairman: Yes, just ten years.

Q427 Mr Scott: A question for Councillor Watkins and Mr Ingleton. You have got two and a half million HGVs passing through Dover each year, 10,000 a day. That must have some very high impact levels on both your strategic routes and indeed urban routes, and I would be interested to know what some of those impacts are and also how it has affected the regeneration of certain areas, because obviously it must have an impact on the regeneration if you have got vehicles coming through with the sorts of loads which are coming through Dover.

Councillor Watkins: If we take Dover particularly, the town centre is severed from its seafront communities, maritime community, by the A20 and the effects of that are that we have disparate communities there which are not able to engage. We have major levels of deprivation. The economy is based primarily in and around the port industries and any hiccup in the port, particularly on the freight side of it, affects the town. One of the interesting factors as far as the issue of Operation Stack is concerned is that when Operation Stack is in progress nothing comes through Dover and that is the time the town flows beautifully and it becomes a place where the quality of life improves. The effect of the freight moving through Dover was described by a Regional Agency member as "a moving wall of steel" just passing through the town centre. It cuts

community off from community. We have poor air quality measurement zones in and around the town area which deal with both shipping emissions and freight emissions predominantly. So it has a very, very major impact upon our community.

Mr Ingleton: I think also, Chairman, the two routes which we have to Dover operate in slightly different ways and it is our contention that we need an urgent upgrade of those routes. The problem we face is that when there is the slightest interruption on one route, there is a transference of traffic to the other route, and indeed next week, for example, there will be a major resurfacing and reconstruction programme of the A20 route down in to Dover, and that will have a catastrophic effect on how the town itself operates. Although it has not yet happened, there have been various resident groups which have expressed absolute dismay at what is actually likely to happen. Although we have not got to the point of having people sitting down in the street, it has come very close to that. From our point of view, I do not know whether it is in order to actually perhaps offer an invitation to you and your Committee to come down to Dover to see this sort of thing actually in operation, but it is a real concern locally. From a regeneration point of view, what it does do is give out many wrong messages.

Chairman: This may not be the day to suggest that direct action is a way forward!

Q428 Mr Scott: If there is any temptation to go up on our roof, I would give it a miss!

Councillor Watkins: Continuing the theme of the question you asked, Mr Scott, the issue of peripheral roads or subsidiary roads is obviously of great concern because there is local commuter traffic which comes through those roads into the commercial centre of Dover. Any disruption to normal traffic activity effectively kills the town centre dead and the disruption on the A20 or perhaps on Operation Stack transfers the freight traffic to the A2 and that affects the town of Deal through to Sandwich, because we cannot get through on our roundabouts and our commuter roads into the town centre. So there are some very serious congestion issues on the A2. The last seven miles of the A2 from Lydden through to Dover is not dual and must be one of the only parts of the country where a major port is fed by a single carriage track through to a port, and that is a travesty.

Chairman: You and Milford Haven, I think, Councillor Watkins.

Mr Scott: And Lowestoft.

Q429 Chairman: And Lowestoft. It is a very exclusive group!

Councillor Watkins: It is very exclusive, but I would probably say to you there is more traffic which comes through Dover than both of those, actually.

Q430 Mr Scott: Are the impacts becoming worse? Is it becoming more and more profound now?

Councillor Watkins: It is becoming worse because the projections on freight traffic are that they will double over the next 20 years and if there are no

ameliorating methods of improvements to the road system through to Dover, then consequently the bottlenecks which are occurring are going to get worse, the local population and the local economy in general will suffer and the pollution effects of this are such that any sustainable development we want to encourage in and around our areas will be retarded.

Q431 Mr Scott: Just a brief spin-off question: are you having problems then in encouraging new business to come into the area because they just simply cannot get their customers through to buy from them?

Councillor Watkins: I would say Dover is at a stage where it is probably going to go through major regeneration growth. The issue we have is that the majority of employment is port-related employment and the regeneration you refer to needs to be diversified away from ports and logistical activities, and those are the areas where these problems may actually retard our opportunity.

Q432 Mr Hollobone: I would like to ask about immigration controls, out-of-hours deliveries and emissions. To what extent is the freight transport industry held up by bottlenecks at the port caused by immigration checks?

Councillor Watkins: I would say probably minimum.

Q433 Mr Hollobone: Is that an improvement from where it has been?

Councillor Watkins: It is an improvement because there is the juxtaposition of officials between Dover and Calais now. The majority of immigration and entries are dealt with at Calais rather than through Dover, so there has been a major change.

Q434 Mr Hollobone: With regard to out-of-hours deliveries and the noise nuisance caused to residents, how should the balance between the needs of the freight industry and the wishes of residents be struck when delivery time restrictions are being set?

Mr Sheppard: This is always a very contentious one, and again it is mainly to do with understanding actually, bringing people together to understand what the issues are. We will never get a full consensus that we want night deliveries, but equally night deliveries do have many benefits in terms of emissions, CO2 emissions and particulate emissions, because vehicles are doing more to the gallon at night. This is where the FQPs are beginning to work with local residents, with local boroughs, and there is, dare I mention it, a very good case with Sainsbury's where they have actually put in night deliveries to one store in consultation with the Noise Abatement Society, the local residents and the local boroughs.

Q435 Chairman: Do you routinely have plans in place for night deliveries throughout the John Lewis Group?

Mr Sheppard: We take them in where we are allowed to. If there is planning permission, then obviously we will do it. If there isn't, then we do not.

27 February 2008 Mr Tim Ingleton, Councillor Paul Watkins and Mr David Sheppard

Q436 Mr Scott: Just on this point, when you find a delivery coming in which is not your own van, it is from an outside contractor, and they are not obeying the law on when they should and should not be delivering, do you enforce that?

Mr Sheppard: Yes.

Q437 Mr Hollobone: Does the Government have a coherent approach to making decisions about night time deliveries?

Mr Sheppard: No.

Q438 Mr Hollobone: Does the industry have the certainty it needs in order to plan future operations?

Mr Sheppard: The answer is, no.

Q439 Mr Hollobone: So more could be done to implement noise restrictions for night deliveries in order that bans could be relaxed?

Mr Sheppard: Yes. There was a study done, I think it was about four or five years ago, which was actually put to the Deputy Prime Minister, which I was actively involved in through the FTA on having a toolkit of what we should be looking at to actually encourage night deliveries, and providing the operator met certain criteria then we could do trials and see how it went. If the noises were unacceptable then we would stop. If they were acceptable, then obviously we would continue. That never actually got off the starting blocks, unfortunately, and it does need some leadership from central government because we are faced with many situations in some areas where we have a store, where we go for planning permission and get the restriction put on us, yet the supermarket next door, which you have got to go past our store to get to, has not. It is the inequality of it and there is no logic to the way it is done. It just depends on what the regime is at the time when you apply for planning permission.

Q440 Mr Hollobone: With regard to emissions, London has just introduced its Low Emission Zone. I know it is early days, but is there any evidence that it has resulted in significant reductions to levels of pollution from lorries in London?

Mr Sheppard: I would not know. I have not seen any statistics yet, but when you actually look at the population of vehicles I think it is only about between 5 and 10% of the vehicles that do not actually conform. My own personal view is that it is a lot of work for very little saving, to be honest.

Q441 Mr Hollobone: Has it had any effect on the John Lewis Partnership?

Mr Sheppard: No, none whatsoever.

Q442 Mr Hollobone: Could similar schemes be implemented in other areas of the country, and has Dover considered introducing a Low Emission Zone?

Mr Sheppard: I don't know about Dover, but in the end it comes back to what are you achieving by it. If you are going to say you want to have at least Euro 3 emission levels, then that actually means any vehicle which was built after 2002 and there are very few

operators that will operate vehicles earlier than that unless they are specialist vehicles. People like removal companies, they are suffering because of the LEZ. It costs them £200 a day to come and do a furniture removal and you could actually argue that most of the time the vehicle is stood outside the customer's house being loaded and unloaded, and it is very unfair.

Councillor Watkins: From our point of view, we have taken this matter to both the Regional Assembly and the Regional Development Agency, their European committees, and both shipping emissions and freight emissions which concentrate around the ports are common, obviously, for all ports and there is a grouping called Cross-Channel Trans-Manche A, which is a grouping of French and English ports who have got together to look at some of these major issues, and a paper on emissions was dealt with last Friday at this grouping and they have been charged with coming up with some common policy solutions to actually try and address this problem, to take it through the European Community, the EU, but also in terms of shipping emissions to try and go to the IMO to get further legislation so that we can get some consistency.

Q443 Mr Martlew: Following on to consolidation centres, obviously John Lewis owns Waitrose and I noticed that there is a lot of internet shopping going around in all these little vans which are flying about. How do you see that is going to develop in the future? How will that impact on freight?

Mr Sheppard: I think that providing it is done sensibly it can actually reduce emissions, but it has got to be done sensibly.

Q444 Mr Martlew: What is sensibly?

Mr Sheppard: Sensibly means that the customers do not go out of their house and they do it over the net and it is then delivered to them, but what in essence you find is that they tend to still go to the store, select certain things, and then perhaps go home and then get a delivery done as well.

Q445 Mr Martlew: So they drive to the store, decide what they want and give it to somebody else to deliver?

Mr Sheppard: Yes.

Q446 Chairman: Not all of us are as bad as that, Mr Sheppard! Some of us do not have the time.

Mr Sheppard: No, but it is one of those things and there have been many studies actually done on whether it does actually save emissions, but by and large if you do some rough calculations the amount of deliveries you can do on one van compared with the amount of fuel you would use in X number of cars to do the same journeys, then it does make sense, providing that car journey is not being undertaken as well.

Q447 Chairman: My friend, Mr Ocado, comes and visits me every weekend with a different driver and they manage to offer what they call "green slots", where obviously there are a lot of people in the same

27 February 2008 Mr Tim Ingleton, Councillor Paul Watkins and Mr David Sheppard

place. They do make a conscious effort to try and get some kind of structure into it, do they not? Is that something which could be further developed?

Mr Sheppard: I think so. When you talk about “green slots” it really means that you are going to dovetail –

Q448 Chairman: It really means some other mug is spending his money in the same place!

Mr Sheppard: Exactly, yes, and then you get a green slot if your neighbour has actually bought something, so it is part of the scheduling tool, but yes, it is good for the environment. It is when you start coming to timed deliveries where you go to one customer in a location, go to another location but then go back to the original location an hour later, that is when the problems come in and that is why it needs to be coordinated and there needs to be some sort of curtail on the expectation of the customer and the service levels they want.

Chairman: I would like to see you sell that one!

Q449 Mr Martlew: In a way what we have been talking about is a consolidation centre, is it not? The supermarket is that.

Mr Sheppard: Yes.

Q450 Mr Martlew: What about a more general footprint? Why is the industry not building more of these freight consolidation centres? Apparently they are a great success.

Mr Sheppard: They are a great success. The John Lewis Partnership and most retailers have had consolidation centres since the sixties. We consolidate everything. If you take a look at a Waitrose store there will only be, in essence, about five deliveries go in a day from our RDC, where everything is consolidated, where at one time there would have probably been 100 vehicles going in there in a day.

Q451 Mr Martlew: So you are probably the wrong industry to ask, but if you are talking about construction and things like that it does not happen very often, does it?

Mr Sheppard: No.

Q452 Chairman: Why is it then that John Lewis, Waitrose, have now, in the City of London anyway, started developing a parallel service to Ocado (with whom they are associated) doing exactly the same thing at different times? So we have Ocado and Waitrose both offering to deliver groceries. That is not terribly intelligent planning, is it?

Mr Sheppard: Ocado is a separate company to Waitrose. Ocado just sells Waitrose products.

Q453 Chairman: Oh, I see! So it is friendly rivalry?

Mr Sheppard: It is friendly rivalry and it helps to keep prices low.

Chairman: So long as we have established that.

Q454 Mr Martlew: I presume they are partners, though, in your organisation, the people who are employed there?

Mr Sheppard: No, they are not.

Q455 Mr Martlew: They are not partners?

Mr Sheppard: No, they are not partners.

Q456 Mr Martlew: Can we come back to the general benefit of consolidation depots?

Mr Sheppard: Consolidation depots are absolutely brilliant. It is how you actually get them to work with smaller companies, you have obviously heard of the Bristol one, which works very well but it is on a small scale. We have looked at certain issues and people have approached me from one of the Freight Quality Partnerships and asked could we actually supply all the shops in a certain road, like the restaurants and things, with our food. In that way we could take the stuff into our shop and then deliver to all of the shops in a particular street. The answer is, yes, it is possible. It is whether those restaurants would want to buy exclusively from us. But when you come back to the consolidation centre, if you can actually get all shops to have all their goods delivered to one and then deliver it into one shopping centre on a few vehicles, then you are winning, but it is actually getting the consensus of the individual shops.

Q457 Chairman: You would not be allowed to do that under the Competition Act, though, would you, because it would give you a very nice monopoly of particular roads and shopping areas?

Mr Sheppard: Absolutely. It is fraught with problems, but if you do it on an open basis, the same as the Broadmead Shopping Centre, where the shops are allowed to join this scheme but all their produce goes to an outside warehouse and it is then linked in from there. That works extremely well, but it is a very small population of the shops in the Broadmead Centre that actually use it.

Q458 Mr Martlew: Are you aware of whether the Government is encouraging this in any practical way?

Mr Sheppard: There is an initiative for people to look at it and it is certainly part of the Freight Quality Partnership’s initiative. I think there are about four in London which are actually actively looking at this, and it is bringing it all together. I think in the end it will have to come if we are actually going to reduce CO2 emissions and vehicle movements within London.

Mr Martlew: Thank you.

Q459 Mr Leech: What could be the effect of requiring local authorities to set the Freight Quality Partnership’s part of the local transport plan?

Mr Sheppard: I think it would provide a big kick-start to the Freight Quality Partnerships. It is noticeable in the paper that they are not even mentioned and I think it is so important. It is the start of a journey of getting everybody working together.

27 February 2008 Mr Tim Ingleton, Councillor Paul Watkins and Mr David Sheppard

Q460 Mr Leech: Are they appropriate in all areas?

Mr Sheppard: I find that difficult to answer. I think you need to look at the history of the Freight Quality Partnerships. Initially they were set up a few years ago by an initiative by the Freight Transport Association and obviously TfL has then enhanced that within London, and since then you are seeing them crop up in places where I suppose it is appropriate, where there are issues, and I think there is a big part for them to play.

Q461 Mr Leech: So in some areas you do not think it is appropriate?

Mr Sheppard: I suppose if you look at some of the smaller local authorities they may be totally irrelevant.

Q462 Mr Leech: Do you think the role of local authorities would change if Freight Quality Partnerships were to be implemented more widely?

Mr Sheppard: I think so. One of the things I have noticed since we have had the Freight Quality Partnerships is that local authorities are actually beginning to get what they call a freight unit, in the same way that TfL has now got a freight unit. This is something they never had and I believe that Camden is a particular one where they now have a specialist who deals with freight issues within the borough. Prior to the FQPs, that did not exist, which is where I based my opening statement from.

Mr Ingleton: Yes, I think there is a lot of value and a lot of mileage in developing those initiatives where there are particular problems. As I say, from our experience at Dover we have had a couple of issues where we have engaged with the industry and the various authorities and it has proved very effective.

Q463 Chairman: I want to allow you to escape quite quickly, so what about Transport for London's Freight Operators Recognition Scheme? Could it be reproduced more widely?

Mr Sheppard: As a founder member of the full scheme, I am a bit disappointed in the progress which has been made with it. I think it suffers from perhaps a bit of leadership and from being strangled by just being in London. I see that as being the major issue.

Q464 Chairman: Yes. Let me ask you about another London scheme, the Lorry Control Scheme? Does it reduce the disturbance through unnecessary lorry movements in London?

Mr Sheppard: I would probably say no. It certainly increases CO2 emissions because you have got vehicles driving all around the perimeter of the M25 to get into certain areas within London, which cannot be a good use of resources.

Q465 Chairman: Because of the restrictions of the Lorry Control Scheme, you are saying?

Mr Sheppard: The Lorry Control Scheme.

Q466 Chairman: So instead of doing the normal planning, they would plan their journey on the basis of an outside constraint? Is that the argument you are putting to me?

Mr Sheppard: Yes. If you are going from, let us say Kent, into Kensington you could not drive straight in, you would have to go all the way around the M25 and then come in from the west, because you have to access London from the shortest point from the M25. So to do what may be a 50 mile journey, you could end up doing 80 or 90 miles.

Q467 Chairman: So you do not think it is a particularly good idea and it is not particularly useful?

Mr Sheppard: I think it has out-lived its days.

Q468 Chairman: What about the Freight Best Practice, which I did ask you about? Is it good value for money?

Mr Sheppard: I think it has some jolly good uses, yes. Not all of it, but a lot of it you can actually take and use and make some big improvements.

Q469 Chairman: So what should the Government do to encourage the freight industry to improve its efficiency?

Mr Sheppard: You could argue incentives. Perhaps not incentives, but perhaps we come back to the first session and perhaps less of a stick in taking taxes from us.

Q470 Mr Martlew: Could I ask you about the design of vehicles? I was recently talking to a haulier who was saying that weight is not the problem very often and you could actually design the vehicles to be longer, still moving in the same turning circle, and that would save a lot of journeys. Is there any sense in that, because it is not the weight?

Mr Sheppard: It is not the weight, but certainly with retailers access is a major problem, so we have got to be careful on length. Most of our trailers and the bigger vehicles are not maximum length now, but we do run double-deck trailers. We actually designed the double-deck trailer back in 1984. We were the first to actually pioneer it, and we have doubled capacity and we now use them throughout the whole of the country, so it is important. There is a lot of resentment to them because the general public think that this massive great vehicle is damaging the roads, but I put it to a seminar in Cambridge, where they asked could we not go in with smaller vehicles to protect their roads, and I actually pointed out that the axle weights of their local buses actually exceeded the weights of our maximum vehicles. It is a misunderstanding.

Q471 Chairman: The only difficulty about that is how should we balance the needs of the freight operator in relation to other road users?

Mr Sheppard: It is a very good question and it comes back down to –

27 February 2008 Mr Tim Ingleton, Councillor Paul Watkins and Mr David Sheppard

Q472 Chairman: I know the questions, Mr Sheppard, but I like the odd answer!

Mr Sheppard: The answer is, the only way you are actually going to do it is by discussing and making people understand each other's issues and how you actually try and get some consensus on how you move it forward.

Q473 Chairman: Because you are saying in effect the general public do not accept the argument that you were putting forward? Forgive me, but even the most informed persons die of a little bit of argument about whether they understand axle weights and distribution of weight upon a road surface. It is not something which is, at least at any of the dinner parties that I go to, an obvious source of conversation?

Mr Sheppard: No.

Q474 Chairman: So how do you get over then the arguments that the freight industry's interests have to be balanced against other road users, because you must be asked this quite often?

Mr Sheppard: All the time. The general public's perception of a lorry or a truck is that they don't want them on the road. They are a no-no. They get stuck behind them. The only time they want them is when they want a delivery made or they want to go into the store and find the goods on the shop floor, and it is a big issue getting them to understand that.

Q475 Chairman: Did we say that we would like to know the effects of requiring local authorities to set up Freight Quality Partnerships as part of their local transport plans?

Mr Sheppard: Yes.

Q476 Chairman: Do you think that would be appropriate everywhere?

Mr Sheppard: Perhaps not everywhere, but I would think in most places where there are road issues, congestion and heavy freight traffic.

Chairman: Gentlemen, you have been very helpful. I must say to Dover, when you suggest that your numbers of HGVs are going to go up in a way which will make it, it seems to me, impossible to reside anywhere in Kent, let alone in Dover, I find that quite a horrifying idea, but thank you very much for coming and good luck with the Trans-Manche, as they say.

Witnesses: **Jim Fitzpatrick MP**, Parliamentary Under-Secretary of State, and **Mr Stephen Fidler**, Divisional Manager Freight & Logistics, Department for Transport, gave evidence.

Q477 Chairman: Good afternoon, important persons! I am sorry to have kept you waiting and you will be aware, Minister, that almost as soon as you begin to speak we shall be forced to run from the room! You will not take it personally, I know. Can I ask you first, for the purposes of the record, to identify yourself and your colleague?

Jim Fitzpatrick: Chairman, I am Jim Fitzpatrick, Parliamentary Under-Secretary of State at the Department for Transport, and on my right is Mr Stephen Fidler, who is the Divisional Manager for Freight & Logistics at the Department.

Q478 Chairman: Thank you very much, Minister. Did you have something you wanted to say to us?

Jim Fitzpatrick: If I could make a brief opening comment, I would be very grateful, Chairman and colleagues. Thank you for the invitation to be here today. If you would allow me to say, this inquiry comes at an important stage in the Department's ongoing work to develop a much clearer recognition of freight's role—across modes—in transport strategy. The memorandum the Department submitted sets out our current strategic approach to freight. Essentially, we see freight as a private sector business. We only intervene where there is a legitimate public interest in doing so, such as for safety or environmental reasons, or when we have responsibilities for infrastructure, or where there is a need for a long-term planning framework. We do not think it would be the right thing to develop a totally freestanding freight plan. Very little, if any, infrastructure funded by the Government is

provided solely for freight. Even ostensibly "rail freight" schemes can have very significant passenger benefits by freeing up capacity on main lines for inter-city or other services. What we are committed to doing is ensuring that freight is addressed fully in all our wide strategy work. It has to be an integral part in all of our investment and planning decisions. We need to be able to explain much more clearly how our strategy meets the needs of freight users and how different freight modes fit together. It may help the Committee, Chairman, if I mention briefly some important developments since we submitted the Department's memorandum last autumn. At the end of October, we published "Towards a Sustainable Transport System" which set out how we would take forward transport strategy across the Department. Recognising the role of freight in the UK's economic prosperity is central to this work. Two weeks ago, as part of our work towards a Green Paper later this year, we held a major event for freight users and providers to identify key challenges for the sector. Both the Secretary of State and myself attended for part of the day, and the event was chaired by the responsible Director General from the Department, Dr Stephen Hickey. Over 50 external participants were present and we had a very strong mix of attendees. They included major retailers (such as Sainsbury, Marks and Spencer, Alliance Boots and the Co-op), power stations, manufacturers (such as Ford) and representative groups (including the FTA, RHA, Sea and Water, Campaign for Better Transport and the Rail Freight Group). There were also rail, road and water freight

27 February 2008 Jim Fitzpatrick MP and Mr Stephen Fidler

operators present. Alongside this informal consultation process, we have also started working with industry to get a much better understanding of “end to end” journeys for freight. This involves looking at nine case studies of freight journeys from the customer’s perspective and identifying the main causes of planned and unplanned journey time increases for industry within the UK. Other detailed projects on freight are also underway, including analysis to understand more fully the freight sector’s possible contribution to CO2 reduction over the next 10 to 15 years. As for the near future, by the summer we expect to pull all this work and consultations together into a clear statement on the challenges for freight—across and between modes—in our planned Green Paper. We will, of course, also look to reflect the Committee’s input on freight issues in this document and in the White Paper which will follow late in the year.

Q479 Chairman: Thank you, that is helpful. The difficulty about some of that is that it does not seem to include specific targets to reduce the negative effects of freight transport, such as congestion, accidents, noise or emissions?

Jim Fitzpatrick: Those questions will be considered during the course of the consultations and in the drafting of the Green Paper and the development of the White Paper in a variety of different forms. We have a whole range of initiatives which we are trialling in terms of noise and night time deliveries. There are arrangements between local authorities and retailers and delivery organisations using equipment which is silent because it is plastic rather than metal, those kinds of things, and radios in cabs which automatically turn themselves off as soon as the doors open. These have been spectacularly successful, from what we understand, in the early stages. So in terms of noise, we are looking at that. We are looking at night time deliveries so that it relieves congestion in that sense, and we are in discussion with the industry in developing modes. We have our Transport Innovation fund, which is looking at congesting charging, how to deal with congestion, and the industry is centrally involved in the discussions which are taking place there. So in general terms the headline issues which you mentioned, Chairman, we are addressing them and we are collecting data and evidence on them and they will certainly feature in the Green Paper which we will publish later on this year, because they are fundamental to the efficient operation of road freight in particular. I have not covered the transfer to water or rail. We can do that separately, I am sure, in due course, but in terms of road freight we have invested £1 billion in roads in the last year, so we are doing what we can to make sure that freight moves efficiently, but we are also talking directly to the industry and those they serve to make sure they can operate as efficiently and as effectively as possible.

Q480 Chairman: As an industry, the market does not capture all the cost to society of road freight, does it? What is the Government going to do to ensure the

industry is accountable for more of the impacts that it has at every level on the environment and on society in general?

Jim Fitzpatrick: Again, we are investing heavily across the board in terms of environment and climate change both in terms of vehicle manufacturers in reducing emissions and in terms of freight transport, addressing the contribution they are making to climate change. We have programmes that we are operating in conjunction with major operators to make sure that their drivers are trained to a standard whereby they can drive more sensibly and reduce emissions and be more effective in terms of the deliveries they are operating. In that sense there are big savings for the operators, which makes sense for them, but there are big savings for the rest of society because they get free-flowing movement because they have less accidents, but also because they are taught to drive more sensibly and then there are less emissions. In that instance they are making a contribution towards the challenge of climate change.

Q481 Mr Hollobone: Is it fair for UK hauliers to continue to pay to maintain the UK’s freight infrastructure whilst foreign operators often do not contribute? I believe Her Majesty’s Government first floated the idea of a vignette for foreign hauliers in November 2000 and yet almost eight years on nothing seems to have materialised?

Jim Fitzpatrick: You are right, Mr Hollobone, in that it has not materialised. We have been working closely with the industry and with Treasury because the vignette scheme was very much seen as a possible solution to make sure that foreign hauliers made their contribution. There are constraints within European regulations in terms of what can be levied and how much can be levied, and where it will be effective. We have been carrying out a considerable amount of work researching this and that analysis is almost complete. Once we have the evidence, then we will be able to draw some conclusions and then determine whether we actually want to go forward with the vignette scheme and how it would then operate.

Q482 Mr Hollobone: So having waited almost eight years, do you have any indication you can give the Committee about when firm proposals might be brought forward?

Jim Fitzpatrick: I cannot say for definite exactly when the proposals will be coming forward. I can only say, as I have just mentioned, that we are close to the end of the evidence-gathering we needed to do in our discussions with Treasury, and therefore we do not think it will be too long before we come forward with our conclusions.

Q483 Mr Hollobone: The Freight Transport Association is concerned at the condition of foreign vehicles, and their drivers’ non-compliance with driving hours rules is a “significant road safety risk,” in their words. The Road Haulage Association commends efforts by the police to enforce against foreign hauliers, but says that such enforcement

 27 February 2008 Jim Fitzpatrick MP and Mr Stephen Fidler

“remains fundamentally weak” and is localised and far from widespread. Your colleague, Lord Bassam in the House of Lords revealed that VOSA had detected more than 16,000 offences by foreign trucks in the past 12 months, but that there are very few prosecutions for specific offences because it is not possible to require non-UK residents to return to the UK to attend court on such matters. Her Majesty’s Government has floated the idea of a Graduated Fixed Penalty and Deposit Scheme, which would overcome some of these difficulties and first went to public consultation on this in July 2004, some four years ago. Can you give the Committee any indication of when such a scheme might be likely to be introduced?

Jim Fitzpatrick: You are right, Mr Hollobone, in terms of the time it is taking to introduce the Graduated Fixed Penalty and Deposit Scheme. There are considerable legal obstacles to overcome or address in terms of the ability to introduce the scheme onto our highways. There is the question of the ability of VOSA and the police to take deposits at the roadside, the Court Service to support the scheme and recognise and repay deposits if it is not necessary.

Committee suspended from 4.15 pm to 4.35 pm for divisions in the House

Mr Hollobone: Minister, you are a very nice chap and I have got a high personal regard for you.

Chairman: Hear, hear!

Q484 Mr Hollobone: I put it to you with regard to foreign lorries in particular that this is a very real issue of public concern, especially given the very large number of lorries which now come onto our roads from Eastern Europe, and the public are worried about the safety implications for them when they drive along major roads in this country. It may well be that in your former career you had experience of dealing with some of the crashes which are caused with HGVs on our roads. I think a large number of people will be very concerned indeed that the Government has taken an interest in addressing these issues but actually has not done really very much about it at all. I am sure this Committee would welcome some greater assurance from yourself that (a) the Government does recognise that this is a very serious issue, and (b) it is prepared to give an undertaking that it will bring forward some sensible and coherent proposals fairly soon to ensure that it is tackled.

Jim Fitzpatrick: Mr Hollobone, thank you very much for the opportunity to address this, because you are right, it is an important question and is causing considerable public concern. We are approaching this in three different ways. The simplest way to demonstrate that we are addressing that which we see as a particular problem is the fact that on 1 October there was the announcement of an extra £2 million per year for enforcement for VOSA. So in terms of the revenue to be able to pay for additional enforcement activity, officers, equipment, et cetera, that money has been provided to the

service for the people at the sharp end who are actually stopping potential road vehicles which are offending against our Road Traffic Regulations. That is underway. Secondly, we are working in Europe as hard as we can to help improve the access to information. In the UK, for example, VOSA examiners have information about an operator’s compliance risk score, where they can actually identify a vehicle from a particular fleet and the officers will be able to track that fleet, how many offences it has had, what its profile is like, whether it is a good company or perhaps a company which is trying to cut corners. We do not have that same level of intelligence and information for vehicles coming from outside the UK, but we are hoping to build up that database. However, we do have weigh-in-motion sensors in the road at key points. We have got four at the moment and there are six more under consideration, and they assist the enforcement operators, so that in addition to their own skill and expertise in identifying that which looks like a vehicle which may not be in compliance with regulations, or whatever, there is technology available to be able to identify whether or not in fact it may very well be in breach. The third element, which I was starting to refer to in respect of the discussion we were having just before the votes, is the delay, perceived delay, in bringing forward fixed penalties and deposit scheme penalties for vehicles from outside the UK. As I was explaining, the ability to put in place the legal powers for the police and VOSA to take deposits at the roadside and for the Court Service to support the scheme and for the DVLA to support the Court Service on offences which carry driving licence endorsements for non-UK offenders, these are quite complex issues and they are taking time to feed through. We are hoping to consult on the statutory instruments during the course of this year and have these powers in play for early 2009, so although it has taken some time it is not a matter of the issues not being processed as expeditiously as possible. We are trying to do that, so that then we will have the powers on the roadside, we will have increased resources to actually carry out the enforcement, and we are working in Europe to try and make sure the enforcement networks there are even more effective than they are at present.

Q485 Chairman: Is the Home Office working closely with you on that, because Mr Hollobone is right, people do not understand why there is apparently a different set of standards for foreign drivers? Certainly, I think the Home Office statistics show—it may not be a disastrous difference in terms of percentages between the effects of accidents and HGVs and those driven by foreign drivers, but the perception is there that there is a real road safety problem and that in fact this has now run so long we are not producing any urgent action at all.

Jim Fitzpatrick: I hope, Chairman, that I went a little way to offering the Committee some reassurance and the extra enforcement activity has already been announced and that money is coming through. The powers themselves will not be through until next spring. We do work closely with the Home

27 February 2008 Jim Fitzpatrick MP and Mr Stephen Fidler

Office because this is a giant enforcement operation between VOSA (which is the Department for Transport, as you know) and the police under the Home Office. I had a meeting yesterday with Chief Constable Vane, the head of policing for ACPO, and his team, including Deputy Chief Constable Briggs, and I have meetings with my counterpart at the Home Office and officials between the Home Office and the Department for Transport are working closely on various road safety issues, and this is very much one of them. So there is joined-up activity behind the scenes in government and we are trying to move the legislation and lay the instruments as quickly as we possibly can.

Q486 Chairman: Has anyone asked the Chief Constables, when you are dealing with ACPO, whether they are prepared to accept that the policing and the enforcing of traffic laws is just as important as some other aspects of their work? Because it is not in their core responsibilities, many Chief Constables have actually taken skilled police officers off the work in traffic divisions and put them on something else.

Jim Fitzpatrick: There does seem to be the emergence of a stronger culture within the Police Service. Certainly recently the conferences and meetings I have attended since becoming Road Safety Minister last year have all very strongly given the message out, from the Home Office, ourselves, ACPO and from the Police Federation that roads policing is not stand-alone activity. The people who are most likely to be flouting the regulations of the roads, whether it is driving without a licence or without insurance, or being disqualified or being under the influence of drugs or drink, are those who are equally likely to be breaking other rules which we set in place in society, and it has been demonstrated that people who have been pulled over for what ostensibly was a minor traffic offence have subsequently been found to have drugs or firearms in the back of the car and other offences have been uncovered. That has been recognised more and more by police forces. There is a lot of people, obviously, who are not in that category, but there is a hard core minority who, if they are flouting our road safety laws, are going to be flouting other laws as well. There is evidence clearly from the last two years from our drink-drive Christmas campaign, a 5% increase the year before, a 6% increase in the numbers of breathalysers this year, and the police are working more closely. We have successfully discussed with the Home Office the introduction of road traffic offences within their assessments to ensure there is a reporting mechanism from police forces, so that we reverse that perhaps perceived trend, that there was a downgrading. That is certainly no longer the case and there is a clear recognition, I think, from the Flanagan Report where it says they have to identify where are the offences, what are the ways we can deal with things. We are killing 3,000 people on our roads every year, 25% because of alcohol, et cetera, others because of speeding, others because they are not wearing seat belts, breaching basic road safety rules of driving on

roads, and in that instance I think the police are recognising that the Flanagan Report—and we will be submitting our own contribution to the Home Office's review of the Flanagan Report to say that we can demonstrate that results will be better for society if the police do very much beef up and enhance road policing, because apart from anything else it will lead to a reduction in the number of people who are being tragically killed and seriously injured on our roads.

Chairman: That is clear, I think, Minister. Thank you.

Q487 Graham Stringer: Just following up with a couple of questions on what Mr Hollobone asked. What price of oil do you put in your projections on congestion in your models? It might sound an obscure question, but obviously the higher the price of oil gets the more the imbalance for British hauliers against Continental hauliers, so I wondered what figure you used for modelling?

Mr Fidler: I have not got the figures to hand, but what I do know is that we look at a range of scenarios for oil prices and feed that into a different range of scenarios and our models, but we can look that range up and write to you, if that is helpful.

Jim Fitzpatrick: Certainly, in terms of the international oil price, the figures are relative at the moment. The view the Treasury has is that the possibility of the vignette scheme is certainly one which is worth considering. The differential between ourselves and Europe in terms of fuel types is one thing, but labour costs and other employer costs here are cheaper, so there is a working out overall. So it is very much relative in terms of the international oil price and the one exchanged for fuel.

Q488 Graham Stringer: Yes, but it is the taxation which goes up proportionately. That was an interesting answer, because I would be interested in timetables. You indicated then that the Government is reconsidering the use of lorry road user charging, or did you not?

Jim Fitzpatrick: We have not discounted the use of a vignette scheme. We have not said no to it.

Q489 Graham Stringer: When Alistair Darling rejected it in 2005, he said he was waiting for the National Road User Pricing Scheme. Is that still the policy, or if the imbalance got higher would you consider bringing in either lorry road user charging or some other scheme which would re-balance the economics in favour of British hauliers?

Jim Fitzpatrick: We are sensitive to the concerns being expressed by British hauliers, which is why we have undertaken the work which we have to identify the validity of the introduction of a vignette scheme. We know that were there to be national road pricing, that would compromise the introduction of such a scheme because it would not be allowed, as I understand it, under EU rules. But given that that is clearly not going to happen in the very near future and that local road pricing schemes are being examined and possible trials to take place, maybe

not before 2011–12, we are some way off from a National Road Pricing Scheme and it does mean there is a gap and therefore the possibility of a vignette to fill that gap may well be appropriate. But as I said in response to the Chairman, we have not got to a position in terms of a definitive judgment as to whether or not we want to proceed with that, but we are not far off.

Q490 Graham Stringer: You are not far off. Does that mean three months, six months?

Jim Fitzpatrick: I would have thought within three months.

Q491 Graham Stringer: That is very interesting. Are there any other schemes apart from lorry road charging which are being considered?

Jim Fitzpatrick: Not that I am aware of.

Q492 Graham Stringer: Can I move on to your opening remarks, where you said—and I paraphrase—that basically freight, haulage, is the private sector and we do not interfere, it is a free market out there. I understand that position, but when it comes to air freight this country has lost its position for hosting the world's measure integrators to Brussels and Charles de Gaulle. Is the Government concerned about this? Would it want those major hubs of integrators in this country?

Jim Fitzpatrick: We are not unduly concerned about air freight volumes. Our forecasts were revised last year as part of the Heathrow consultation. We think the demand is expected to remain broadly similar between now and 2010 and thereafter rise in line with GDP. In terms of our assessments in respect of freight generally, we have, I certainly think, put in the public domain our expectations of the increases in rail freight and road freight, which are perhaps less than some were predicting previously. So we do see increases in due course in the years ahead.

Q493 Graham Stringer: Are you really saying it is not important to have hubs for very high value air cargo in this country as opposed to in another country, where a lot of service industry as well as heavier industry and new technologies require high value goods as and when they need them, within 24 hours? Would it not be good to have these hubs in this country?

Jim Fitzpatrick: Forgive me if I gave the impression that this was not important. I apologise. That is not the case. What I said was that we felt that which was happening at the moment was consistent with our needs. We do recognise—and we recognised it in the 2003 Air Transport White Paper—that air freight does make a significant contribution to the economy and we do understand, and we have argued the case for aviation, that there are items which do need to be transported by air because they are time-sensitive or because it is a component part which is ultimately needed to get a factory back underway, or whatever. So we are very committed to supporting air freight. I had a meeting on Monday at Manchester Airport, where the Chief Executive, Geoff Muirhead, was expressing some concern for Manchester and East

Midlands about plans to reform Air Passenger Duty and the fact that if the new duty was introduced in a particular way it could damage airport freight in the UK because it is such a competitive market. He outlined to me just how price-sensitive the market was. I may be doing him a disservice, but I do not think he expressed any concern that the air freight dimension was not functioning and was not profitable, et cetera, but he did express concern that if we get APD wrong it could damage air freight.

Q494 Graham Stringer: So what are you doing to help air freight?

Jim Fitzpatrick: We will certainly be in discussions with Treasury about the new aviation duty. We will be listening to the aviation industry so that we can make sure that their voice is heard at Treasury in terms of making sure that we can support the industry, because there is no question, as I say in the White Paper, we indicated a full acknowledgement of the importance of air freight to the economy.

Q495 Graham Stringer: Do you still stand by the projections in the White Paper on air freight tonnage?

Jim Fitzpatrick: Certainly, as far as I am aware we do. I am not aware that we have revised those. They are only three years old. I am sure that if the matter had been revised in any way during the course of the Heathrow consultation it would have been transferred, but perhaps Mr Fidler can speak on that.

Mr Fidler: If I could add to that, I think our latest forecasts, the ones which the Minister set out earlier on, are remaining broadly steady until about 2010 and then growing in line with GDP for air freight. I think the other relevant point here is that about two-thirds of air freight is not in dedicated freight planes but is in the belly-hold of other aircraft. So plans for expansion of capacity by airport operators for passenger flights will, of course, benefit freight as well.

Q496 Graham Stringer: Will the Government continue to resist the calls from a number of Members of the House for restrictions on night flights at East Midlands?

Jim Fitzpatrick: We have outlined our position in terms of night flights, certainly for Heathrow, for 2006–12. We have indicated that matters concerning noise pollution, night flights particularly, would impact on this. It will be a matter for airports to take up with their local authorities. The European Noise Directive indicates that airports have to publish their plans by later on this year, and on that aspect the question of resisting, I am sure, will be a matter which will be taken up strongly by those parliamentary representatives of the communities around East Midlands Airport.

Q497 Graham Stringer: Can you explain generally—and I am asking the questions coming from two opposite directions, obviously, one about the contribution air freight makes to the economy and

27 February 2008 Jim Fitzpatrick MP and Mr Stephen Fidler

then about the environmental problems, noise in particular, associated with aviation. What is your strategy for balancing those two competing issues?

Jim Fitzpatrick: The Heathrow consultation, I suspect, probably demonstrates as clearly as any other way I could describe how (given the sensitivities around aviation and its impact upon the environment, its contribution to climate change and its impact on local communities in respect of noise), when we published the White Paper in 2003, we said quite clearly we were in principle on policy in favour of a third runway and the extension of Heathrow, but we laid down strict environmental criteria which had to be demonstrated before we would be in a position to give the green light for the third runway. We have published the Heathrow consultation but the noise contour above 57 decibels and within the 127 square kilometres planning cap we have not increased, in fact over the next ten years we have decreased it to a smaller square area, and that the European levels on emissions and air quality would be met by 2010, and that surface access would be very much part of the planning application and subject to consideration before the green light would be given for the go-ahead for the third runway, because that would be the third element of the criteria. We think we have put the evidence in the public domain, Mr Stringer, as to how we control noise and air quality and surface access, and we have to meet those.

Q498 Graham Stringer: Are all cargo flights likely to be included in the EU Emissions Trading Scheme as well as passenger flights?

Jim Fitzpatrick: To be honest, off the top of my head I do not know. The Aviation Emissions Trading Scheme is still agreed in principle, but it is not worked out in detail yet.

Mr Fidler: I am not aware of the full details. My expectation is, yes, but we will have to check and come back to you.

Graham Stringer: Thank you.

Q499 Mrs Ellman: What is the Government going to do to bring some more balance into investment in ports outside the Greater South East?

Jim Fitzpatrick: I would not necessarily fully agree that there is not investment in the North East. In Liverpool there is planning consent given for the port extension there. Last week we gave planning approval for Teesport and the additional half a million to 1.5 million teu¹ improvements there. We are working to support Tyneside and the port there. Immingham and Hull are two of our biggest ports in terms of operations. The market obviously will determine to a certain extent where ships would want to berth. We want to make sure that we provide a framework which makes it attractive to berth in the UK and not berth in Continental ports and then ship materials by road through into the UK, so we are pleased to see investment in the North and we are

certainly conscious that we need to make sure that British ports are as attractive to international shipping as possible.

Q500 Mrs Ellman: Will you not accept then that the amounts of investment are very, very different? On the day that there was a very welcome visit from the Transport Minister to Liverpool to talk about the Olive Mount Chord project there are announcements in the South East of vastly larger amounts of funding. Do you not recognise the problem there?

Jim Fitzpatrick: I recognise the issue. I do not recognise it as a problem. Were there no investment taking place at all in the North, then I would recognise there was a problem. Given that we clearly have investment in the North and that we have some of our biggest ports in the North, we are in a competitive market worldwide. The shipping companies will argue very strongly about the extra cost of extra nautical miles they have to travel to reach a port. We need to ensure that we provide anchors to be able to service those international fleets. We need to make sure that around the country, as much as we possibly can, they are attractive, which is why the approvals, as I mentioned, in Liverpool and Tees Port have been given and why we are doing everything we can to support the ports in the North as much as making sure that the UK has the port requirements it needs to be able to trade effectively.

Chairman: We are going to have to be a little bit more concise, Minister, if we are going to get through all of your brief, unless you are thinking of taking up residence!

Q501 Mrs Ellman: Are you satisfied with the rate of transfer of freight to inland waterways?

Jim Fitzpatrick: I cannot imagine that instinctively one would be satisfied, but we are not doing anything to impede it, we are doing everything we can to encourage it.

Q502 Mrs Ellman: What are the targets you have got?

Jim Fitzpatrick: It is not a question, if you will forgive me, Mrs Ellman, of laying targets, it is a question of outlining the grant available, and that money is available and it has not been spent.

Q503 Mrs Ellman: So does that lead you to think you should be doing more to encourage that movement?

Jim Fitzpatrick: I think the freight industry could be looking to use it, but then it needs to be efficient and effective, and clearly it is not attractive enough at the moment to attract that attention.

Q504 Mrs Ellman: What more can be done to encourage freight to be moved along the coast rather than on congested roads?

Jim Fitzpatrick: Again, this is very much part of our water freight grant which is available. We are discussing with the Commission at the present time and my understanding is that the state aid criteria

¹ TEU is the standardized unit for measuring container capacity on ships, railcars etc. Commonly describes a 20-foot container.

laid down says that the grant should only be available on a start up basis, other than for inland waterways. We want to try and open up that grant to be available for shipping lanes around the UK, so that operators can get the grant for that and not just for inland waterways.

Mr Fidler: If I could just add to that? We are currently reviewing the Waterborne Freight Grant scheme with the aim of making it more acceptable and more useful for short sea shipping than it is today, and when it was brought in, in 2004, we had hoped that it would be used for short sea shipping much more than it has been. The state aid conditions the European Commission has put on it seem to have been a real barrier and we are trying to see what we can do about that.

Mrs Ellman: Thank you.

Q505 Graham Stringer: Could Network Rail do more to improve its service to freight operators, who are quite critical of the service they are getting?

Jim Fitzpatrick: I guess that every organisation can always improve its outlet. Certainly the latest forecast from the Freight Utilisation Strategy says that there is going to be a 30% growth in rail freight tonnage by 2014.

Q506 Graham Stringer: Network Rail missed its freight performance by 18% in 2006–07. Is the Government concerned about that?

Jim Fitzpatrick: One is obviously concerned when targets are not being met, but in terms of the transfer of freight from road to rail, that has been moving in that direction and we want to encourage it to move even further.

Q507 Graham Stringer: But are you doing anything to encourage Network Rail to improve its performance?

Mr Fidler: The primary responsibility for that rests with the Office of the Rail Regulator in terms of the targets, so the Department's concern about targets which are missed is obviously something that ORR is taking into account.

Q508 Graham Stringer: I am sure it is and I am sure the Department talks directly to Network Rail as well.

Mr Fidler: It does indeed.

Graham Stringer: And I would expect them to be pretty concerned about being a missed target when it is clearly Government policy to encourage freight onto rail. I was just trying to find out how you were encouraging them.

Q509 Mr Martlew: Just on that last point, what has been telling on the railways is the heavy goods business, the coal, and we have the nonsense on the West Coast Main Line of the coal being brought into a port, a deep sea port in Scotland, and I think there are 38 of these trains every day which go to the power stations in Yorkshire. Surely we should be actually encouraging that coal to be landed at one of the ports in Yorkshire and then taken to the power stations? It does seem nonsensical, especially on a

congested line like the West Coast Main Line. No doubt it helps your targets, Minister, but it does not help the railways and it does not make any sense.

Jim Fitzpatrick: We have grants available to try to encourage the conversion of road freight to rail freight. That money is certainly there for companies to come forward. We do everything we can to encourage that and that investment would obviously assist.

Q510 Graham Stringer: Can I just go back to the dissatisfaction the users of Network Rail have with freight? It is predicted that costs will go up. The costs are 20% of rail hauliers' costs and we have the second highest charges in Europe. How can this be the basis of a sensible policy for getting freight off the roads?

Jim Fitzpatrick: We have got a minimum of £18.5 million in the annual revenue budget for this in terms of trying to encourage greater use of rail. Over £44 million has been allocated from this budget over the next three years. The value of money has improved. You mentioned, Mr Stringer, the cost. Rail has become more competitive with road. For example, the rate from Felixstowe to the North West dropped from £22 per container to £8 per container. There were 33 bids accepted, taking 801,000 containers off the road this year. So we are doing what we can to encourage it. We are making money available and we are encouraging the industry to come forward with bids for this grant to try and assist that process, and we do think that rail is becoming even more competitive simply because of the change in prices.

Q511 Graham Stringer: But that is simply at odds with the facts. If the Office of Rail Regulator is saying that in Control Period 4 prices are going to go up by 25%. They are already the second highest in Europe. That is a rum and strange policy for encouraging goods off the road, is it not? There are more goods in the economy and there is less aggregate, coal, cement, those kinds of things, in the business. Freight is breaking down, it is coming in smaller bits. You are partly seeing that. But it is a strange policy which encourages modal change by putting the prices up, which are already higher than elsewhere in Europe. That is just simply at odds with what you were saying.

Mr Fidler: Perhaps I can comment on this area of work on Track Access Charges. Their work on the constant charges really is ongoing at the moment, and as I understand it the sort of range of possible charges for freight ranges from about £46 million to £104 million compared with about £93 million now. So whilst the top end of that range is, yes, clearly above current charging levels, there are possibly some scenarios where it might not go up and we are still waiting for the final determination.

Q512 Graham Stringer: Are you saying my figures about the Office of Rail Regulator's projections are wrong?

27 February 2008 Jim Fitzpatrick MP and Mr Stephen Fidler

Mr Fidler: The figures I have had are slightly different. I suspect they are different sets of figures. I was merely commenting that I think we are still waiting for October, for the final determination, they now being the interim figures.

Q513 Graham Stringer: When we look at the roads against rail, we see passenger fares going up by more than the rate of inflation and we see freight going up by more than the rate of inflation. Is the Government concerned about this? The economy is growing, so you get increased figures on the railway, but it is not really driving freight or passengers to use the more environmentally friendly, more sustainable railway, is it?

Jim Fitzpatrick: If I can refer back to the figures I gave a moment ago, last year there were 33 bids accepted. There were 801,000 containers taken off the roads. £18.5 million is the Government's minimum annual revenue budget and there is capital budget money as well. We are putting our money where our mouth is. The industry is taking it up by applying for those grants and a number were refused. We are doing what we can to support the shift in mode.

Q514 Graham Stringer: I will just leave you with one fact which you may want to comment on. Ten years ago, when we had EWS here, they were saying that they would increase the amount of freight on the rail by 300% over, I think it was a 15 year period. They have flatlined over that period and the actual Canadian owners have walked away. Do you not think that Railtrack and Network Rail, and all the different regulators we have had, putting on high prices has meant that those aspirations have not been met?

Jim Fitzpatrick: Clearly, any company which raises its prices beyond the level the customer wants to pay will have an impact on its business.

Chairman: That is not really quite the problem.

Q515 Mr Martlew: On this issue, surely the real problem for the railways and why they can put the price up is the capacity problem. Passenger numbers are going up, there is limited track, and the other point, of course, if we are talking about the aggregates, is that I am still not convinced that they actually pay the amount in access charges to pay for the damage they actually create to the track, because there is considerable damage by these heavy trains, especially on the West Coast Line and the Settle lines. So really the problem is capacity and that is why they can put the price up?

Jim Fitzpatrick: In the past decade it is certainly our view that the Department has announced the most significant funding for rail freight for decades and the White Paper announced a commitment of £200 million for Network Rail funding up to 2014 for the development of a strategic freight network. The productivity TIF schemes, I am sure you are familiar with the various monies to enhance the gauge and capacity to deal very much with the pressures you described. In gauge clearance terms, Network Rail's Freight Utilisation Strategy identified the priority

routes for gauge clearance, Mr Martlew, in terms of the particular priorities being the Southampton to West Coast Main Line, at Nuneaton, Peterborough to Nuneaton, Liverpool to the West Coast Main Line, and Gospel Oak to Barking, and work will start in the Spring this year and all should be clear by 2011. There are other routes which are of lower priority, but the amount of money which has been contributed and the enhancement on these gauges demonstrates that we recognise there is a challenge to make sure that the weights and the volumes, and the rest of it, do not damage the network and that the network is sustainable both for freight and for passengers.

Q516 Chairman: I want to ask you some quick questions. I want you to get away at a reasonable hour. Are we really utilising our UK ports properly? Have you got the strategy which would encourage people to shift freight around the coast?

Jim Fitzpatrick: We have got the Interim Ports Review, we have got the National Policy coming forward in due course. There is an expectation that in planning terms the ports policy could possibly be the first, certainly one of the first national policy statements to demonstrate that there is a holistic approach to this.

Q517 Chairman: So will we expect realistic targets for coastal shipping?

Jim Fitzpatrick: I would have thought we would certainly have realistic targets for that which we want to attract in terms of volumes of business.

Q518 Chairman: That is a rather carefully qualified thing. There is a number of things that concern us. What is the Government's attitude towards European contributions towards initiatives on freight? What about the "Motorways of the Sea" scheme and what about the European "Freight Oriented Rail Network"? What is the Government's attitude to that?

Jim Fitzpatrick: The "Motorways of the Sea" scheme, as I have described earlier, Chairman, is something we are supporting. Our performance in terms of the bids we put in to Europe is better than most countries. Sixteen bids were approved last year. Five of them were UK bids.

Q519 Chairman: How many of those were ports?

Jim Fitzpatrick: Off the top of my head, the companies bidding for our "Motorways of the Sea" funding, Marco Polo funding, round one –

Q520 Chairman: Your Marco Polo funding is something different again. Minister, what we need from you really is a clear view. How do you make sure British freight operators are able to take full advantage of European funding, because you know the ports system on the Continent is different, you know that their attitude towards gauge enhancement (which, after all, is a very real problem for us but not for them) is different, you know that the UK freight industry is definitely penalised in relation to HGVs driven by foreign drivers and

27 February 2008 Jim Fitzpatrick MP and Mr Stephen Fidler

subsidised by lower rates of fuel, and very frequently not complying with the same hours directives or the same tachograph constraints? What are you going to do so that we do not have this constant business of European initiatives either not benefiting the freight industry or positively disadvantaging it?

Jim Fitzpatrick: We are certainly doing everything we can not to positively disadvantage it. We have a strong team at the Department for Transport which helps the shipping industry and our ports industry in terms of making bids for MOS funding, and we are working closely with them to make sure we can be

successful in Marco Polo round 2, and subsequent MOS funding bids. The fact that we have approved the developments we are all familiar with right around the country in terms of additional port capacity shows that the ports industry is gearing up for the expansion which it has been experiencing for the past ten years and is expected to experience with world trade growing for the next 20.

Chairman: Minister, it is nice that you are so optimistic! You will not be surprised if I say that I think we shall see you again many times to discuss these problems. Thank you very much for your help.

Written evidence

Memorandum from London Councils Transport and Environment Committee (FT 01)

INTRODUCTION

1. London Councils Transport and Environment Committee (TEC) is a statutory joint committee representing all 32 London boroughs and the City of London. In addition, Transport for London is a member of London Councils TEC. It is the main voice of the London boroughs and of their electorates on a wide range of issues relating to transport and the environment in London and related matters of concern to Londoners. It also carries out a number of statutory functions and works closely with the Local Government Association and with many private, voluntary and public sector bodies.

2. The main points that London Councils would like to highlight in our evidence to this inquiry are as follows:

- There is an urgent need to ensure effective enforcement against foreign registered goods vehicles for parking and traffic offences so as to ensure a level playing field between UK and overseas registered vehicles. There is evidence that a high proportion of penalty charge notices issued to foreign registered vehicles go unpaid and foreign registered goods vehicles are also more likely to be involved in an accident than UK registered ones.
- London Councils has responsibility for administering and enforcing the London Lorry Control Scheme (LLCS) and believes that restrictions on night-time deliveries are still appropriate but there may now be a case for reviewing the current restrictions, to reduce the extent to which lorries have to make longer diversionary or alternative routes, given concerns about vehicle emissions. Any such changes would need to be agreed with London Councils TEC.
- London Councils welcomes measures to reduce the environmental impact of freight movements by encouraging a modal shift from road and air freight. However, any transfer of freight to rail services should only happen where there is spare capacity available or additional capacity is to be provided to avoid any negative impacts on the train path capacity for passenger trains.
- London Councils recognises the value of Freight Quality Partnerships (FQPs) but believes that establishment of FQPs should not over-ride the role of London local authorities in identifying appropriate solutions to deal with freight.

3. Further details on these and other issues can be found in London Councils' response to individual questions provided below:

Is the Department's investment in logistics programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?

4. Yes, London Councils believes it is important to fund initiatives such as this because they create new opportunities in freight transport.

International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements?

5. The Government needs to focus funding on infrastructure improvements such as increasing rail capacity, building time-saving diversions, promoting port improvements and modernising goods transfer hubs. London Councils welcomes measures to reduce the environmental impact of freight movements by encouraging a modal shift from road and air freight. However, there is a need to strike a balance between passenger and freight trains in terms of the allocation of train paths and any transfer of freight to rail services should only happen where there is spare capacity available or additional capacity is to be provided to avoid any negative impacts on the train path capacity for passenger trains. In particular London Councils would like to see the allocation of paths for passenger trains maximised during weekday peak hours and other busy times. This is particularly relevant given the predicted increase in population and employment in Greater London.

Air freight in the South-East is forecast to grow from 2.2 million tonnes a year in 2003 to 14 million tonnes by 2030. Has the Department adequately planned for the capacity and access implications of this very significant growth? How will transport networks need to adjust to serve the growing air freight market?

6. Most goods are transferred from airports by road so rail access to airports needs to be enhanced, otherwise, this increase in air freight will lead to an increase in freight vehicles on the roads around airports. Airport capacity in the South East is heavily constrained in any case and expansion poses serious environmental and financial problems. Nor would it be reasonable, from an environmental point of view,

to encourage air freight to use spare capacity at night. Improvements to surface access for freight will also be difficult, with improvements to public transport access releasing some capacity by transferring passengers from road transport offer the best realistic prospect of improving this.

Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote “free movement of goods”? How is this to be balanced with the Department’s other commitments? What should be the priorities for the Transport Innovation Fund productivity stream?

7. The importance of the freight industry to the UK economy should not be overlooked. There is definitely a role for the Department for Transport to play in national level freight infrastructure and planning. However, the possibilities will depend heavily on local circumstances and such developments should be taken forward as partnerships with relevant local authorities.

8. More should be done to assist the freight industry to develop mapping/routing tools, such as the one London Councils is currently developing with the PIEGuide Company, and the DfT should be taking a more active role in supporting such initiatives. The DfT should also be seeking to develop measures that reduce the reliance on satellite navigation designed and targeted at car users. Many of these systems fall far short of meeting the specific needs of the freight industry. If this issue is not addressed, there may eventually need to be legislation to discourage the use of unsuitable roads by large goods vehicles as a result of inappropriate use of satellite navigation equipment.

How successfully has the Government influenced European negotiations regarding freight operations? How could the Government help to ensure a level playing field between UK and overseas freight companies?

9. 75% of international road freight entering or leaving Britain is in foreign registered vehicles. Different levels of regulation and taxation are responsible for this. This is not an argument for reducing regulation and taxation in Britain to match that which exists elsewhere but for the Government to look more closely at the structure of regulation and taxation in the UK to enable it to impact more equally on foreign operators.

10. The Government must also take action to address the problem of enforcement against foreign registered vehicles if it wants to help ensure a level playing field between UK and overseas freight companies. London Councils supports Project SPARKS, an initiative that brings together local traffic enforcement authorities in the UK and other EU member states. Evidence from this project has shown that non-existent data sharing between UK and European vehicle licensing authorities, coupled with an absence of any legal framework for enforcing penalties in other European countries, has resulted in 95% of penalty charge notices (PCNs) issued to foreign registered vehicles not being paid and many more not being issued because enforcement is known not to be effective. Although the Government is allowing other European countries to enforce penalties imposed elsewhere in the EU against British drivers, current UK legislation does not enable local authorities to trace owners of non-UK vehicles and enforce penalties against them. Further details on Project SPARKS can be found on: <http://www.sparkproject.org/index.asp>

11. London Councils recommends that:

- Powers be given to the Driver & Vehicle Licensing Agency to act as a UK clearing point, receiving foreign-registered vehicle data on behalf of local authorities.
- The DVLA be allowed to release UK vehicle registration data to equivalent agencies in other EU member states.
- The jurisdiction of Northampton Traffic Enforcement Centre be extended to cover other EU member states which would allow local authorities to register orders for recovery and warrants of execution against the owners of overseas vehicles.
- The UK government initiates bi-lateral or multi-lateral agreements that:
 - ensure mutual recognition and enforcement of UK Traffic Enforcement Centre judgments in other EU member states; and
 - extend the scope of EU courts to include England and Wales for traffic law enforcement.
- Local authorities be allowed to collect all outstanding traffic fines, not just the most recent, when a vehicle is clamped or removed to the local car pound.
- Consideration be given to the introduction of a “UK registration system”, which requires foreign hauliers who travel regularly in the UK to have a registered postal address in this country at which documents can be served.

12. London Councils believes that enforcement against foreign registered vehicles needs to be addressed as a matter of urgency if there is to be a level playing field between UK and overseas freight companies.

How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries?

13. London Councils recognises the value of Freight Quality Partnerships (FQPs) and believes they have the potential to greatly improve local freight conditions, but the way in which they are managed is very important. Successful FQPs need to be formed via a bottom-up approach ie by the boroughs involved and the establishment of FQPs should not over-ride the role of London local authorities in identifying appropriate solutions to deal with freight.

Are the restrictions on night-time deliveries still appropriate? What impact would weakening the restrictions have on quality of life and other factors?

14. It is important to distinguish between planning restrictions on night time deliveries and controls on night time movements (such as the London Lorry Control Scheme). The former have been introduced as standard measures (initially at Government recommendation) for many years. It is right that their use should not be automatic, but many places in built up areas would still suffer significantly if night time loading or unloading were permitted without any other form of restraint. This is primarily an issue that affects residents' sleep and local authorities have a duty to investigate and eliminate excessive noise nuisance at night. Any weakening of restrictions on night-time deliveries should be accompanied by measures to ensure that delivery destinations in residential areas meet certain standards (enclosed delivery areas, soundproofing, etc) so that they are suitable for night-time deliveries. Effective and enforceable noise restrictions on operations (such as the Dutch PIEK project, which limits night time activities to 65 dBA) may be a way of resolving this issue where night time deliveries are desirable.

15. Night time routing controls such as the LLCS do not impact on night time deliveries but do regulate the routes used by HGVs at night to minimise environmental and noise nuisance. Research carried out by TfL shows that the level of night time noise nuisance from even modern HGVs has not reduced significantly because of noise from loads and form equipment such as refrigeration. Further details of the LLCS are attached as an annex to this evidence. London Councils believes, therefore, that restrictions on night-time deliveries are still appropriate.

16. It is tempting to think that encouraging more freight movement at night would reduce congestion during the day-time. However, the viability of extending night-time deliveries should be properly assessed before any significant changes are made. This would need to consider the social, economic and environmental impacts. A full assessment of the impacts would also require business surveys to establish the level of demand for reduced restrictions and costs other than transport would need to be factored in, for example, security, staffing and the opening of premises for longer periods. Many businesses could not afford to receive night time deliveries and of those that can, such as large supermarkets, the majority of deliveries will continue to be made during the day because limited storage space means that the supermarket must receive deliveries spaced throughout the day. The assumption that any shift to night time deliveries would reduce congestion is also arguable. It is now accepted that, where the road network is saturated, any increase in capacity would be absorbed by generated traffic quickly. This is also true when deliveries switch to night time. It is only where the road network is not saturated and heavily congested that a switch to night time deliveries would be guaranteed to reduce congestion.

How can the road safety record of haulage vehicles be improved?

17. Measures to address the problem of enforcement against foreign registered vehicles as discussed above would also improve the road safety record of haulage vehicles. Figures from Project SPARKS suggest that foreign registered goods vehicles are around 30% more likely to be involved in an accident than a UK registered vehicle. Project SPARKS also reports data from VOSA (Vehicle and Operator Services Agency) that 47% of foreign registered goods vehicles fail roadside tests, making them about 20% more likely to fail than UK registered vehicles and data from the City of London Police which suggests that foreign registered vehicles are more likely to be caught speeding than UK registered vehicles.

Annex

INFORMATION ON THE LONDON LORRY CONTROL SCHEME (LLCS)

BACKGROUND

The Greater London (Restriction of Goods Vehicles) Traffic Order 1985 stops unnecessary lorry movements disturbing the peace of Londoners at night and week-ends (9pm to 7am every night, Monday evening to Saturday morning. Then from 1pm Saturday, through the whole of Sunday, to 7am again on Monday). This is known as the London Lorry Control Scheme (LLCS) and is maintained by London Councils, who issue around 56,000 permits each year to those lorry operators with essential business in London. London Councils employs a team of five officers to enforce the ban and currently issues about 3,750 PCNs under the ban each year.

The LLCS' purpose is to eliminate through goods traffic from London at night and at weekends, and to minimise the environmental impacts of necessary freight movement. The scheme is designed to ensure that goods vehicles above 18 tonnes cannot use certain restricted roads, during the prescribed hours, without a permit. However, a network of, usually, main roads and access roads to industrial estates (commonly referred to as the Excluded Route Network (ERN)) are excluded from these restrictions. During the prescribed hours, to be compliant, goods vehicles with a permit must minimise their use of roads off the ERN. Those hauliers without a permit can not use non-ERN roads at all.

Hauliers whose vehicles are over 18 tonnes and want to travel off the ERN must have a permit. They can apply to London Councils for a permit but will only receive one if it is actually needed; vehicles that can make the complete London element of the journey on the ERN, or are less than 18 tonnes, are advised that a permit is not required.

The LLCS is often, mistakenly, referred to as a lorry ban which it is not, and it is important to distinguish between the LLCS, which seeks to manage the environmental impact of freight journeys and any, often location specific, loading and unloading restrictions applying at the journey destination as a condition of planning permission. London Councils has no influence over the latter which are imposed by the local planning authority.

ENFORCEMENT

From April 2004, decriminalised enforcement has applied to the LLCS. The penalty charge for a haulier is £500 with a discount of £250 for prompt payment. The penalty for a driver is £100 with a discount of £50 for prompt payment. As with a parking penalty charge the recipient can make a representation and thereby challenge it. Should the initial representation be rejected they can then appeal their case to the adjudicators at the Parking and Traffic Appeals Service (PATAS).

ROUTING

Another major element of the LLCS is dealing with the requests for routing advice from hauliers who want to ensure they do not contravene the Traffic Order. London Councils receives written and sketched out routing proposals and offers advice on these. This is an extremely valuable part of the work as it supports compliance and demonstrates that London Councils' intention is not simply to penalise the hauliers but to work with them to avoid penalties.

There is also an option available for hauliers to request a special routing agreement. This allows for a new route to be agreed by London Councils that makes greater use of non-ERN roads than would usually be accepted. This requires the haulier to demonstrate a case that the proposed route is better in environmental terms than the standard compliant route. The initial measure of benefit is based upon the number of dwellings the vehicle will pass on its journey. When London Councils receives a special routing application the boroughs affected are asked to comment on the proposed route before a decision is taken. It should be noted that these agreements (there are currently about 50 of them), are subject to regular review.

INFORMATION

London Councils has produced a wall map and a book, called the London Lorry Guide which includes other data useful to the haulage companies and their drivers.

London Councils also has a complaints hotline which any member of the public can ring to report any night-time or week-end lorry disturbance.

London Councils held a major Lorry Control event at its headquarters in November 2006. The purpose was to explain the scheme to the haulage trade and borough officers and it was an opportunity to exchange views and deal with many misconceptions about the scheme. The responses to the event were extremely positive.

September 2007

Memorandum from the Freight Service and Development Committee of Railfuture (FT 02)

Question 1 *Is the Department's investment in logistics programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?*

1.1 There are many successful examples of value for money public resource programmes that have attracted matching private sector investments to facilitate modal shift from road to rail and water transport.

1.2 However, despite widespread concerns about future mobility and therefore efficiency of road based freight, logistics measures to promote and integrate other modes are being curtailed, partly due to a lack of resources for freight facilities grants. This is very unfortunate in the context of a road system plagued with travel delays, and the stark warnings from academics on the social, economic and environmental consequences of allowing road traffic to grow without restriction.

1.3 We feel that the “price” of a ton of carbon used by the Government in calculating the benefits of switching freight from road to rail (or inland waterway) is currently much too low, and its assumptions about future oil prices, too optimistic.

1.4 Transfer of freight from road to rail has also been discouraged by assuming that the presence of lorries on motorways is relatively unproblematic compared with other types of road. By definition, trunk rail freight services are often paralleled by interurban motorways and other dual carriageway roads, yet the appraisal system has always been slanted towards relief of urban and single carriageway roads. CO₂ is however emitted on all types of road; indeed a large proportion of emissions from road freight will be on motorways and dual carriageways.

Question 2 *International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements?*

2.1 Without financial and structural reforms, the current market-orientated approach is unlikely to bring significant modal shift changes from air and road.

2.2 Increased use of inland waterways and rail as part of International distribution patterns is obviously dependent upon integration with shipping lines at ports and hinterland terminals.

2.3 Innovative ways should be explored of using targeted public funding to aid trans-continental rail and water supply chains (eg moving freight by railway from Asia to Europe and onwards to the United Kingdom via the Channel Tunnel).

2.4 A key issue for the UK is indeed to increase the use of the Channel Tunnel by rail freight. In this way, there is scope to transfer millions of tonnes of international freight from road to rail.

2.5 The biggest obstacle to this appears to be the current level of charges levied by Eurotunnel on rail freight, which are uncompetitive with those applying to the road freight shuttles or ferry services. The British and French governments need to give a high priority to resolving this issue. It is not enough to hope that the rail companies and Eurotunnel will somehow be able to sort things out—it is too important an issue to ignore.

2.6 The potential use of rail to carry parcels, mail and small high-value or perishable goods at passenger train speeds, appears to be being overlooked. The Department should, for example, encourage the development of such services via Eurostar or on dedicated high-speed parcels and mail services between London, Paris and other European cities. In turn, these trains should connect with a revived network of domestic UK parcels and mail services. Eurostars are able to access the soon-to-be redundant Eurostar depot at North Pole in West London, which has good links to most of the radial railways linking London and the UK regions, adjoins the existing rail link to Heathrow Airport, and is close to the Royal Mail road/rail distribution centre at Willesden. The French already have purpose-built TGV trains for *La Poste* capable of running at the same speeds as their passenger trains. They have even bought surplus Eurostars to allow older TGVs to be converted into postal carrying trains now that the *TGV Est* is open. Use of the TGVs through the Channel Tunnel at some point in the future may enable mail and parcels to be carried between the UK and continental Europe at similarly high speeds.

2.7 We are concerned at the apparent wish by the Office of Rail Regulation to establish a new charging system for rail freight operators' use of so-called freight-only lines. Lorry operators do not pay a separate charge to use motorway crawler lanes or to access main and secondary roads connecting ports, collieries, open cast loading sites and power stations. Moreover other than a small number of cases where an additional toll is levied, eg a bridge, tunnel or metropolis, roads are funded by central government or adopted by local authorities and maintained from their budgets up to the point of a private boundary.

2.8 We have no knowledge of the highway authorities developing a method of costs recovery from public roads heavily used by lorries with little if any passenger vehicle traffic, such as those connecting with dock, mine and power station estate roads. Operators of commercial vehicles pay vehicle and fuel duty charges to have unlimited access (other than certain local weight and dimensions restrictions) to the national road network.

2.9 If Government is serious about cutting CO₂ emissions from transport, it certainly should not permit the use of larger and heavier goods vehicles on the UK road network, such as the “roadtrain” type that are being trialled. These are likely to abstract a great deal of traffic from railways.

Question 3 Air freight in the South East is forecast to grow from 2.2 million tonnes a year in 2003 to 14 million tonnes by 2030. Has the Department adequately planned for the capacity and access implications of this very significant growth? How will transport networks need to adjust to serve the growing air freight market?

3.1 As noted above, the potential of rail to carry low volume but high value goods at passenger train speeds, seems to be being overlooked. Whilst trains clearly cannot substitute for inter-continental air movements, fast mail and parcels services could be used as an alternative to aircraft to carry such traffic to mainland Europe via the Channel Tunnel, and indeed, between major urban centres in the UK.

3.2 There is a need to revive the former Red Star station-to-station parcel service involving carriage of parcels by passenger train. This was killed off in the 1990s by a combination of sectorisation within British Rail, followed by rail privatisation. With rising demand to carry cycles by train, there is case for building new trains with additional van space that could be used either for cycle carriage or parcels, as appropriate. This could offer transit times for parcels within the UK and “near Continent” that are competitive with air.

3.3 For traffic that has to be moved by air, action is needed to provide rail access at major airports, such as Heathrow, for transshipping freight onto trains for distribution within the UK. Otherwise, such traffic will continue to move almost entirely by road.

Question 4 Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote “free movement of goods”? How is this to be balanced with the Department’s other commitments? What should be the priorities for the Transport Innovation Fund productivity stream?

4.1 There is an urgent need to secure more intermodal rail/road freight terminals in the South East, particularly close to the M25. It has proved difficult to secure planning permission for such facilities. Given the scale of investment involved, and the risk that planning permission will ultimately not be forthcoming, developers need a policy framework that provides reasonable assurance that their schemes are appropriate and likely to be deliverable.

4.2 The Department needs to address this issue through the review of Regional Spatial Strategies. It is probably not sufficient to rely on issuing general planning guidance to local authorities (to guide their response to planning applications), because the site-specific requirements of terminals (access by rail and road, neighbour impacts etc) are very challenging. Instead, there needs to be a positive process of identifying locations which are suitable for intermodal terminals in the RSS, and to plan for the associated infrastructure.

4.3 It has been argued that rail infrastructure should fall within the scope of the proposed Infrastructure Planning Commission. This may indeed be appropriate for new or widened railway lines, stations etc, as suggested by the CBI. However, warehousing and other built facilities associated with intermodal terminals cannot really be described as “infrastructure”. Rather, they are akin to conventional industrial estates, and as such need to fall within the scope of the planning system (even if the tracks leading to them might not). The need is for proactive identification in the RSS of the sites where these terminals can be built.

4.4 There is a case for direct public funding of rail infrastructure serving intermodal facilities and distribution centres. Occupiers of industrial premises are not required to pay for the cost of their own roads before they can move in: these will be funded by the developer. If no roads were provided before occupation, businesses would doubtless decline to move into a development. In the case of rail facilities, however, a different situation often applies. Where sidings are added to an industrial location after it has been built, the cost has to be borne by the individual user, rather than being shared across all occupiers of the site—or indeed, being a cost that the developer passes on to the landowner through a discounted purchase price.

4.5 It may be possible to recoup the cost of publicly funded rail freight infrastructure through the Government’s proposed Planning Gain Supplement (PGS), which is intended to help finance the infrastructure costs of development, or an equivalent local property tax.

4.6 The current situation whereby Network Rail are required to meet the cost of upgrading many of their bridges to accommodate heavier lorries, should be brought to an end. This in effect amounts to an obligation on the rail industry to subsidise its road haulage competitors.

Question 5 *How successfully has the Government influenced European negotiations regarding freight operations? How could the Government help to ensure a level playing field between UK and overseas freight companies?*

5.1 One way of achieving a level playing field would be to move to distance-based road user charging. This would ensure that overseas lorry operators were required to pay towards the cost of their activities in this country on the same basis as domestic hauliers. It would also help to make the level of tax paid more proportionate to the volume of CO₂ emitted—a greater burden would need to be borne by long-distance road freight, and less by local distribution.

5.2 Compensation based on vehicle excise duty was the intention of the Eurovignette. To us it seems legitimate to tax fuel (amount of vehicle use), retain VED (what type of vehicle) and have congestion charges (regulating where vehicles may be used).

Question 6 *How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries? Are the restrictions on night-time deliveries still appropriate? What impact would weakening the restrictions have on quality of life and other factors?*

6.1 Although in many cases, final delivery of goods will need to be by road even where rail is used for the trunk haul, efforts are needed to develop more rail-connected industrial premises to avoid road haulage at either end of the journey.

Question 7 *How can the road safety record of haulage vehicles be improved?*

7.1 At the very least, there needs to be better enforcement of existing laws. Media reports suggest that significant flouting of the laws on speeding, loading and vehicle condition is still taking place.

October 2007

Memorandum from the Department for Transport (FT 03)

1. The efficient and predictable movement of goods is central to the success of the UK economy—as highlighted by the Eddington Transport Study (ETS). Areas where freight activity is inappropriately constrained can have significant undesirable consequences for the economy, society and the environment. Freight and logistics operations are therefore significant to all four of the Department's strategic objectives, which are to:

- sustain economic growth and improved productivity through reliable and efficient transport networks;
- improve the environmental performance of transport;
- strengthen the safety and security of transport; and
- enhance access to jobs, services and social networks, including for the most disadvantaged.

2. However, the Department recognises that the lead responsibility for the provision of freight services and the management of supply chains in the UK rests with the private sector. Government intervention is normally only considered appropriate in one of three circumstances. These are where:

- the Government has responsibilities for the provision or funding of network infrastructure;
- there is a demonstrable need for a long-term, strategic planning framework; or
- the market fails to capture its own externalities—such as adverse impacts on environment, safety and congestion—and Government action can contribute to the achievement of the Department's strategic objectives.

3. These rationales for intervention underpin the Department's freight strategy, which has five main elements within it. They are:

- investing in network and IT infrastructure required to support effective freight services where it is affordable and the overall project can be delivered in accordance with the Department's value for money policy;
- regulating proportionately (both domestically and internationally) to minimise the administrative and other burdens placed on industry;
- increasing compliance with regulations, adopting a more targeted approach to minimise the burden on those operating within the law;
- ensuring a long-term planning framework which recognises the needs and aspirations of both industry and the overall public interest; and
- promoting, incentivising and/or funding behavioural change where benefits are affordable and can be delivered in accordance with the Department's value for money policy.

4. These activities are undertaken both by the central Department and by its Executive Agencies. The Highways Agency's (HA's) core activity—the operation and provision of the road network—is essential for effective logistics, and the Vehicle Operator Services (VOSA), Driving Standards (DSA), Driver and Vehicle Licensing (DVLA) and Maritime and Coastguard Agencies (MCA) all also have regular interactions with the sector. VOSA has the most significant interactions with the freight industry and has particular responsibilities for supporting Traffic Commissioners and increasing compliance within the road haulage sector.

5. Following its recent re-organisation, from 1 April 2007, Ministers have agreed that the Department should bring greater coherence to its freight strategy through the establishment of “logistics” as one of its key cross-cutting themes. Led at Board level this work (although at an early stage) is already delivering a stronger focus on and understanding of freight issues.

6. The remainder of this memorandum provides further information on each of the five elements of the Department's strategy. In doing so, reference has been made to issues raised in the Committee's call for evidence. Annex 1 identifies the elements of this memorandum most relevant to each of the Committee's questions.

INVESTING IN NETWORKS

7. The single most important thing the Department does for the freight industry is to invest in the maintenance, operation and improvement of the national road and rail networks. Benefits to freight users form an important input into all scheme appraisals, though the routes through which investment is delivered vary between modes and funding sources. Key elements include:

- national roads (including those which serve airports) funded directly by the Government through the Highways Agency;
- more local investment in road infrastructure through existing local authority funding mechanisms;
- the Strategic Freight Network (SFN) announced in the Rail White Paper in July 2007—for which £200 million has been provided for Network Rail investment;
- freight access charging for the rail network on a marginal costs basis (with the Department funding “avoidable costs” of freight as are not met by Track Access Charges through a direct grant to Network Rail); and
- the Transport Innovation Fund (TIF)—the Department recently announced that the enhancement of the Gospel Oak to Barking line will receive £18.5 million in funding. A number of other schemes offering substantial freight benefits are also currently under consideration for TIF funding.

8. It is rare for the Department to invest in infrastructure that benefits only freight traffic. This is primarily because many areas of high congestion for freight traffic are also locations where non-freight traffic from different origins and destinations converge. As freight users are therefore one of several beneficiaries of investment it is important for the Department to model predicted freight traffic increasingly effectively and to value it appropriately in appraisal. Work to review our approach in these areas is underway (in the light of the ETS and as part of the cross-cutting logistics work). This will take full account of expected trends in international freight movements, including predicted unitised sea freight and airfreight growth.

9. The Department also invests in IT infrastructure to enable the services provided by its Executive Agencies to be delivered more effectively to industry—including the freight sector. For example, since 2005, road freight operators have had the option of renewing their tax discs on-line.

REGULATING PROPORTIONATELY

10. Regulation has an important role to play in improving and maintaining safety standards and the welfare of industry employees. Despite growth in the goods vehicle fleet and vehicle-kilometres travelled, there has also been a reduction in fatal and serious accidents involving these vehicles. However the Department is concerned to ensure that the regulatory burdens placed on the freight industry are the minimum considered necessary to achieve its objectives. It will:

- review domestic regulatory requirements for the sector on a regular basis to ensure that they remain appropriate (eg review of UK domestic drivers' hours rules is planned for 2008);
- take action to reduce burdens where opportunities are identified (eg the modernisation of Operator Licensing will secure annual savings of around £15 million for the industry); and
- ensure that industry is consulted at an early stage on European regulatory proposals and that the Commission, other Member States and the European Parliament are aware of UK concern that all regulatory proposals should deliver significant opportunities for business, address a demonstrable market failure and deliver benefits that clearly outweigh the overall costs (eg DVLA engagement on the requirements of the Third Directive).

11. Given the international nature of the freight industry, and in the interests of fair competition, much of the regulation for the sector is agreed at a European level. The Department considers that it has had some success in ensuring a proportionate approach from European proposals. Examples of this include:

- the withdrawal by the Commission of its proposals for supply chain security and ports regulation following concerns expressed by the UK and other Member States, as well as the European Parliament;
- the agreement of proposals to liberalise the European rail freight market which have delivered significant business opportunities for UK companies;
- application of a derogation in Council Directive 96/50/EC, on competency of masters operating vessels commercially on coastal and inland waterways, to minimise the financial and human resource impact of the legislation; and
- the implementation of digital tachographs which are estimated to reduce administrative burdens for the HGV and PSV sector by £15 million per annum (compared to the use of analogue tachographs) from 2009.

12. The Department supports new regulatory proposals where they are appropriate and proportionate. For example the Department:

- supports including aviation in the EU emissions trading scheme. The Commission published draft legislation in December 2006 which outlined an ambitious scheme for aviation which would apply to all flights arriving at or departing from an EU airport. This proposal is now being negotiated in the Environment Council and the European Parliament;
- has recently agreed measures that will require the mandatory retrospective fitment of enhanced mirrors to the passenger side of most Large Goods Vehicles (LGV) that were registered after 1 January 2000, in order to help drivers to see pedestrians and cyclists better;
- is currently negotiating requirements for the mandatory fitment of stability control systems to LGVs to help prevent accident occurrence; and
- intends to consult shortly on a package of proposed regulations concerning access to the road haulage profession and market currently being negotiated in the Council of Ministers. It is keen to ensure that any agreement to liberalise further access to the road haulage market is accompanied by appropriate measures to deliver improved consistency of compliance so that road safety is not compromised. The Commission's proposals reflect virtually all of the key issues raised in the UK's response to its consultation last year.

13. Whilst the Department seeks to minimise burdens on UK business it recognises that there are concerns in the freight sector about the effectiveness of implementation of European proposals outside of the UK. Any delay in some other Member States implementing requirements can contribute to actual, or perceived, distortions of competition. It therefore welcomes the Commission's intention to make increased use of directly applicable Regulations in the freight sector.

INCREASING COMPLIANCE IN A MORE TARGETED MANNER

14. The way in which the Department seeks to ensure compliance with regulations also has the potential to impose significant burdens on industry. The Department's aim is to seek to place the weight of that burden on non-compliant businesses. Given the Committee's interest in the safety of HGVs, this is most effectively illustrated with reference to the road haulage sector.

15. Enforcement of HGVs is primarily undertaken by VOSA and the police. Since 2004 VOSA has rolled out a more targeted approach to its roadside enforcement activities, primarily through the use of an Operator Compliance Risk Scoring system (OCRS). All vehicles specified on a GB UK operator's license can be immediately linked to the operator's risk score at the roadside using either Automatic Number Plate Recognition (ANPR) cameras or hand held data loggers which have enabled VOSA to stop a much higher percentage of non-compliant vehicles as well as reducing burdens on compliant operators.

16. Similar results have been achieved through the roll out of weigh-in-motion (WIM) technology; some attached to ANPR cameras. These weight sensors allow VOSA to detect potentially overloaded and unsafe vehicles that can then be intercepted and subjected to enforcement checks. Over 70% of vehicles stopped at some sites have proved to be over load weight limits with a significant proportion of drivers also breaching driver's hours requirements.

17. VOSA also undertakes on-road targeting of high-risk vehicles & drivers on international journeys and there were almost 20,000 roadworthiness checks on such vehicles between April 2006 and March 2007. 47% of vehicles stopped received a prohibition. The 2007 Budget announced that 50,000 such checks of vehicles on international journeys would be undertaken during 2007–08. On 1 October 2007, the Department also announced that £2 million extra per year would be spent by VOSA on enforcing vehicles on international journeys—funded from new income to Treasury from Graduated Fixed Penalty and Deposit Scheme. These checks are increasingly supported by ANPR and weigh-in-motion technology.

18. Separately, the road sector has serious concerns about perceived unfair competition from foreign hauliers working permanently or regularly on domestic transport in the UK in breach of European “cabotage” rules. VOSA has taken decisive action against a number of operators breaching these rules in the past year, including the impounding of 15 foreign-registered goods vehicles.

19. The Department also has two studies underway which are relevant to this area of its work. These are:
- the Freight Data Feasibility Study, on which a progress report was published alongside the Pre-Budget Report, to determine whether or not there is a business case for introducing a database of foreign hauliers and their vehicles entering and working in the UK in order to facilitate more targeted enforcement against these vehicles; and
 - the investigation of ways in which further private sector involvement could enhance the efficiency and effectiveness of the services VOSA provides to the industry.

PROVIDING A LONG-TERM PLANNING FRAMEWORK

20. The Department seeks to ensure that there is a clear and long-term framework within which the private sector can deliver freight services and facilities in a manner which supports the achievement of its strategic objectives. In doing so it recognises that different modes, supply chains, and private sector stakeholders have different needs, expectations, structures and planning timescales which have to be taken into account.

21. To date, the focus of this framework has been on the provision of infrastructure. The current key strands are:

- the Aviation White Paper—which set out a strategic framework for the sustainable development of airport capacity in the UK in line with the UK’s environmental obligations. The Government continues to support two new runways in the South East, one at Stansted and one at Heathrow, which are both important freight airports;
- the Ports Policy Review—which is following a similar approach. The Department confirmed in July that it considers that a market-oriented approach remains appropriate, and that there would in general be no additional benefit from a locally or regionally determinative ports policy;
- Network Rail’s Route Freight Utilisation Strategy and the Rail White Paper—which together set out how future needs of rail freight can be met and funded;
- the Programme of Major Road Schemes—which considers anticipated road freight demand at the level of individual network links; and
- the Strategic Rail Freight Interchange Policy—published by the Strategic Rail Authority in March 2004.

All of this work is supported by the freight modelling and evaluation techniques discussed at paragraph 8 above.

22. The Department is considering how these planning frameworks will relate to the proposal in the Planning White Paper for National Policy Statements (NPS). The Ports Policy Review Interim Report indicated that the Department envisaged “that the overall outcome of the Ports Policy Review later this year will form the basis of a NPS for the ports sector . . . The coverage of the ports NPS could also extend to inland freight distribution infrastructure, where this is the direct consequence of port activity”. Further work to develop this position is ongoing.

23. There are also a number of gaps in the current planning framework, which work is currently underway to begin to address. These relate to:

- the potential use of inland waterways—the Department is leading work to identify a strategic inland waterway network to enable the private sector and local planning authorities to identify the most realistic locations for modal shift to inland waterways;
- capacity needs for lorry parking—the central Department and Highways Agency have commissioned Faber Maunsell to undertake a detailed study of expected future demand for lorry parking facilities to provide a clear framework for private sector investment, Highways Agency policies, and planning decisions; and
- future freight grant schemes—work has started to develop new modal shift grant schemes to apply from April 2010.

24. In addition to these activities, the Department:

- provides advice to industry on effective ways of meeting the requirements of the wider planning policy framework. Particular examples of this are the guidance on the relaxation of delivery curfews published in November 2006 (supported by a toolkit produced by the Freight Transport Association) and the Freight Best Practice (FBP) guide to planning for inland waterway facilities. Both have received strong support from industry; and

- supports the establishment and development of Freight Quality Partnerships (FQPs) to provide a mechanism for the freight industry, local businesses, the local community, and local government to work together in partnership to produce tangible outcomes to real freight transport problems. Through FBP, the Department offers advice on the establishment and operation of FQPs and has published case studies of good practice examples.

PROMOTING, INCENTIVISING AND/OR FUNDING BEHAVIOURAL CHANGE

25. The ultimate decision on which mode of transport to use is made by industry, who consider such factors as access, cost, reliability and time. However, the Government seeks to promote and fund behavioural change where the benefits are affordable and can be delivered in accordance with the Department's value for money policy. Inevitably the Government's role in providing direct financial support is limited when compared to the size of the freight industry. However, noticeable benefits of reduced CO2 emissions, noise, pollution, safety and road congestion are secured through the Sustainable Distribution Fund (SDF). The rationale behind combining modal funding streams is to ensure that these benefits are delivered in the most cost-effective way. The fund consists of two types of programme:

- Efficiency schemes which encourage efficient operating practices in the logistics and haulage industry—particularly FBP and Safe And Fuel Efficient Driver (SAFED) training; and
- Mode Shift schemes which secure the transfer of freight from road to rail or water transport. Current mode shift schemes are the Freight Facilities Grant (FFG), the Rail Environmental Benefit Procurement Scheme (REPS)¹ and the Waterborne Freight Grant (WFG).

26. The two programmes have to provide funding in accordance with European State Aids rules and require regular reviews to ensure that the Department does not provide more than either the benefits securable or the financial need for support. The reduction in some rail grant scheme rates from April 2007 arose from such a review and is primarily a reflection of the increased competitiveness of rail freight when compared to road—meaning that less grant support is required to move similar levels of traffic.

27. The FBP programme has achieved a significant penetration into the road transport logistics sector. SAFED, although initiated as a voluntary scheme to improve efficiency and safety, has been recognised as a valid module for driver Certificate of Professional Competence (CPC) training and the heavy lorry scheme is now being delivered with the necessary DSA endorsement. The van scheme remains primarily a voluntary scheme for operators but is being well received.

28. Where carbon savings alone are considered, the efficiency programme has a greater potential for reductions than mode shift. However, the mode shift programme secures substantial alternative benefits—such as in the reduction of road congestion. Impact assessments of FBP and SAFED (HGV only) covering the past two years will be published by DfT this autumn. The FBP scheme cost over the past two years was £2.2 million which secured savings of over 65,000 tonnes of carbon. The SAFED HGV scheme cost over the past two years was £1.8 million which secured savings of over 28,000 tonnes of carbon. There are also (unquantified) safety benefits.

29. The table below summarises the benefits secured through the Department's Mode Shift Programme. The table shows an increasing overall benefit:cost ratio (BCR) over the two years, which is a reflection of the decreasing need for grant funding as the rail and water sectors become increasingly more competitive.

<i>Funding Year</i>	<i>Mode Shift Programme</i>					
	<i>Spends</i>	<i>CNRS / REPS / TAG</i>		<i>Spends</i>	<i>FFG</i>	
		<i>Lorry Journeys Removed</i>	<i>BCR</i>		<i>Lorry Journeys Removed</i>	<i>BCR</i>
2006–07	£24m	900,000	2.8	£2.7m	200,000	2.3
2007–08 ²	£17.5m	850,000	3.6	£2.5m	400,000	2.7

30. The shift of freight from road to rail or water through the SDF is primarily limited to the domestic bulk (aggregates, steel, waste) and intermodal sectors. These are the sectors of the logistics industry most suited to modal shift. Other types of time sensitive traffic (eg international premium air freight) do not easily consolidate into significant loads and are often not moved quickly enough for rail or water transport to be a generally attractive alternative on a significant scale.

31. These funding programmes sit alongside other incentives to encourage the use of rail and water transport. These include the continued low duty on red diesel, zero duty on bunker fuels, tonnage tax for shipping companies and the exclusion of electric rail freight from the climate change levy. If designed well, a trading scheme for aviation emissions could potentially create financial incentives to the freight sector to

¹ REPS replaced the Company Neutral Revenue Support (CNRS) and Track Access Grant (TAG) schemes from 1 April 2007.

² Estimates as at 1 September 2007.

prioritise the use of air only where there is a genuine need. Other measures such as voluntary initiatives, research and development and operational improvements will be used to manage the environmental impacts of air and other freight transport.

CONCLUSION

32. The Department looks forward to receiving the Committee's contribution to the development of its continued work on freight transport.

Annex 1

INDEX OF RESPONSES TO ISSUES RAISED IN COMMITTEE'S CALL FOR EVIDENCE

<i>Committee's question</i>	<i>Relevant paragraphs</i>
Is the Department's investment in logistics programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?	25-31
International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements?	12 30 31
Air freight in the South-East is forecast to grow from 2.2 million tonnes a year in 2003 to 14 million tonnes by 2030. Has the Department adequately planned for the capacity and access implications of this very significant growth? How will transport networks need to adjust to serve the growing air freight market?	7-8 20-21
Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote 'free movement of goods'? How is this to be balanced with the Department's other commitments? What should be the priorities for the Transport Innovation Fund productivity stream?	7-8 20-24
How successfully has the Government influenced European negotiations regarding freight operations? How could the Government help to ensure a level playing field between UK and overseas freight companies?	10-13
How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries? Are the restrictions on night-time deliveries still appropriate? What impact would weakening the restrictions have on quality of life and other factors?	24
How can the road safety record of haulage vehicles be improved?	10-13 14-19

October 2007

Supplementary memorandum from the Department for Transport (FT 03A)

During your Committee's oral evidence session on 27 February, we undertook to write to the Committee on a number of points. I also thought it would be helpful if I provided some further information on a number of the areas that, due to time constraints, we covered only briefly towards the end of the hearing.

Oil prices used in DfT modelling (question 487)

The Department uses the crude oil price projections (low, high and central) produced by the Department for Business Enterprise and Regulatory Reform (BERR). BERR's latest projections are for oil (in 2006 prices) to fall gradually to \$50 by 2015 before then rising to \$52.5 in 2020 (approximately \$75 in nominal prices). BERR's low and high projection are for prices of \$25 and \$80 (about \$115 nominal) in 2020. BERR are currently revising their oil price projections in light of a recent consultation.

These figures are converted to petrol and diesel prices within DfT. The Department forecasts congestion in different scenarios including ones where high prices are assumed. This is to check the robustness of estimates were high oil prices, such as those observed currently in crude oil markets, to continue. We will develop new traffic and congestion forecasts with the new BERR oil price projections once received.

Aviation Emissions Trading (question 498)

The proposed scheme will cover any aircraft operator, whether passenger or freight, operating international flights on routes to, from or between EU airports. All airlines will therefore be treated equally. Including aviation in the EU emissions trading scheme will have a smaller impact on prices than if the same environmental improvement were to be achieved through other market based measures.

Track Access Charges for Rail Freight (questions 511, 512, 513 and 515)

I have asked my officials to confirm the status of the statistics on track access charges which Mr Fidler provided to Mr Stringer. The Office of Rail Regulation (ORR) is entering the last stages of review work on charges for both freight and passengers for 2009–14 on which it is due to publish its final conclusions in October. At the request of the freight operating companies ORR work on freight charges was both started early and based around the principle of a cap above which charges wouldn't rise, to give greater price certainty to users.

Emerging figures published by the ORR in February and October 2007 indicate that the annual freight variable usage charges in the next control period will range from £41 million to £99 million (compared with approximately £93 million at present). The new freight-only line costs will be capped at £15.3 million per year (for 2014) spread between the market sectors of electricity supply industry coal and the carriage of spent nuclear fuel: the only market sectors which the ORR has determined can bear such additional charges. The October 2007 report points to a number of variables that are still being analysed and have the potential to reduce charges, saying that ORR "consider charges should come in below [the £99 million] cap and could be below current levels".

Freight growth (relevant to question 513)

Across all modes (including pipelines and coastal shipping) published DfT statistics shows that freight traffic (measured in TonneKm) has decreased by 2% between 2000 and 2006. If these are adjusted to include non-UK registered vehicles this may be estimated to change to a 1% increase. In this same period rail freight has grown by 22%.

Between 2007 and 2015, the Department forecasts road freight growth (in VehicleKm—including vehicles of all nationalities) of 6% and Network Rail predicts rail freight growth of 30% (a figure reached in discussion with rail operators).

European Funding (questions 518 to 520)

Motorways of the Sea funding is available from a range of different funding streams, including Trans-European Network Transport funding (TEN-T) and the Marco Polo programme. The Department has promoted these grants widely, including through email circulation lists and industry events. We are also working with other Member States with an interest in services on the North Sea and to and from France and Ireland to publish an early call for future funding rounds so that industry have sufficient time to prepare high quality proposals.

Motorways of the Sea is a new scheme, with the first call under TEN-T still open. There has been comparatively little take up across Europe; of 55 bids for the recent Marco Polo II funding call, only four related to Motorways of the Sea projects.

I hope that this further information is helpful.

March 2008

Memorandum from English Welsh & Scottish Railway Ltd (FT 04)

INTRODUCTION

1. The House of Commons Transport Committee has announced an inquiry into Freight Transport. This is the response of English Welsh & Scottish Railway (EWS) to the Select Committee's call for evidence.

2. EWS is the largest haulier of rail freight in Great Britain. It moves freight within Great Britain, through the Channel Tunnel and in France. EWS is both cash positive and profitable.

3. EWS has responded to the Committee's call for evidence into the Government's 30-year plan for rail. The points that we raise in that evidence are equally applicable to this inquiry and we suggest that Committee considers the evidence together.

Is the Department's investment in logistics programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?

4. Rail freight in Great Britain moves over 100 million tonnes of goods a year or 22.7 billion tonne kilometres. This represents a 12% market share of surface freight transport; higher for journeys over 100 kilometres. Freight moving by rail means that 1.8 million tonnes of Carbon dioxide generation is avoided (each tonne-km of freight by rail generates five times less CO₂ than the equivalent journey by road). Industry forecasts endorsed by Government predict a 50% increase in rail freight by 2014 and a nearly 20% market share, leading to a total saving of 2.7 million tonnes of Carbon Dioxide.

5. The report by the Logistics Research Centre of Heriot-Watt University for the Climate Change Working Group of the Commission for Integrated Transport has examined recent emissions data for the domestic freight transport market. In 2004, the best year for analytical results, all modes of domestic freight transport emitted a combined total of 33.7 millions tonnes of CO₂ into the atmosphere. The emissions by mode were:

Heavy Goods Vehicles	78.5%
Vans	13.3%
Waterway	6.8%
Rail freight	1.1%
Pipelines	0.3%
Air	0.1%

6. The report also stated that freight transport is responsible for just over 21% of all CO₂ emissions in the transport sector and roughly 6% of the total CO₂ emissions in the UK. In examining opportunities to cut CO₂ emissions, the report states that average CO₂ emissions per tonne-km are substantially lower for rail and waterborne transport than road and air. The reports author, Professor McKinnon, writes that “shifting freight to these more environmentally-friendly modes can therefore cut CO₂ emissions”.

7. Environmental grants for rail freight amount to around £20 million a year and encourage the transfer of traffic from road to rail where environmental benefit is demonstrable. The year-on-year decline of grant funding is at odds with Government's expectation of rail freight growth and its environmental benefits. Grant funding needs to recognise that rail can generate strong cost/benefit ratios.

International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements

8. To achieve modal shift to rail the rail industry needs to have:

- Low costs.
- High quality of service.
- An fit for purpose network with sufficient capacity (paths on the network) and capability (ability to operate longer and heavier trains with a larger loading gauge).
- A level playing field with competing transport modes.

Low rail industry costs

9. Rail freight operators have consistently reduced costs through reducing headcount (eg EWS has reduced headcount by 25% in the last three years) and improving asset utilisation (eg EWS has reduced locomotives by 40% and wagons by 28% in the last three years). Operators' costs per tonne-km have reduced by 12% but the margins generated are small. In 2006 the combined profit before tax of the rail freight operators was £14 million on turnover of nearly £1 billion; a return of just over 1%.

10. Rail freight operators face external costs that are determined by Government and the industry administrators. These include track access charges and fuel duty. Track Access charges are over 20% of freight operators' costs and are the largest single cost over which they have no control. The ORR is reviewing track access charges as part of the Control Period 4 review and it has indicated that charges could increase by up to 25% despite UK freight track access charges being the second most expensive in western Europe. Track access charges must be reduced to trigger a step change in rail freight growth.

11. EWS has undertaken extensive research that demonstrates that Network Rail's costs are more than double those of world-best practice—widely regarded as being found in North America. Implementation of EWS's findings would reduce the costs of the industry to Government and we are working with DfT and ORR to justify a challenging efficiency target for Network Rail in CP4. EWS's findings should be adopted enabling a high efficiency target for Network Rail.

12. The fuel duty paid by freight operators has tripled in ten years. Each penny on fuel duty increases freight operators' costs by £2 million—the 2p duty increase on 1 October will cost £4 million a year. We are seeking a reduction in fuel duty to enable it to be more competitive with other transport modes. Given rail freight's environmental and congestion reducing benefits rail freight should be carved out of fuel duty increases and the duty paid reduced.

13. Freight operators are searching constantly for ways of reducing costs. EWS is currently trialling a range of fuels including heavy fuel oil and bio-diesel, which generate less CO₂. Government should support EWS's research and trials, which includes resisting European legislation that would prevent EWS using lower cost fuels.

High quality of service

14. Freight operators use modern locomotives and have introduced predictable train operations to deliver the quality of service that is agreed with each customer. Service quality is, however, undermined by Network Rail's performance. In 2006–07 Network Rail missed its freight performance target by 18%. Freight must become as important to Network Rail as passenger services if freight operators are to get the quality of service necessary to achieve the growth potential. Network Rail should have freight performance targets, improve responsiveness and recognise freight's needs in timetable and capacity planning.

A fit for purpose network

15. Rail freight requires a network that can accommodate 50% growth in the next seven years and doubling in the longer-term. Our views on this issue are given in response to the question on the Transport Innovation Fund.

A level playing field

16. In the White Paper Government acknowledged the need for it to be a “good neighbour” to freight. The Government's proposals for Crossrail will take significant capacity on the important freight routes of the Great Western Main Line and the Great Eastern Main Line. Government is also seeking access rights lasting 50 years and the ability to remove freight access rights that it believes conflict with Crossrail. The Government will also retain powers in the Crossrail Bill to override freight rights and the independence of the Rail Regulator. Any freight growth before 2016 will be lost to rail when Crossrail commences operation and there will be insufficient capacity for freight growth after 2016. The Crossrail Project must accommodate freight growth and should not sterilise capacity by booking access rights that last to 2066.

Air freight in the South-East is forecast to grow from 2.2 million tonnes a year in 2003 to 14 million tonnes by 2030. Has the Department adequately planned for the capacity and access implications of this very significant growth? How will transport networks need to adjust to serve the growing air freight market?

17. There are no rail connections to UK airports that can accommodate freight. The attempt to create a rail freight terminal adjacent to Heathrow Terminal 5 was rejected by the Government. Rail is capable of being part of the distribution chain from airports building on its currently expanding role in serving supermarkets and parcel traffic. There may also be opportunities for rail to replace air for freight traffic from western Europe through use of the High Speed rail links that are being created.

Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote “free movement of goods”? How is this to be balanced with the Department's other commitments? What should be the priorities for the Transport Innovation Fund productivity stream?

18. Freight is forecast to grow by 50% in seven years and to double in the longer term. Capacity is limited by the constrained operation of the network compared with North America and Europe. Freight operators have pressed for more responsive network operation (such as Single Line working, use of mobile phones and bi-directional signalling). These changes are also the levers to a “seven-day” railway.

19. Increased efficiency and low cost is the key to growth. EWS has argued for the introduction of the “Big Freight Railway”, which includes:

- Increasing train length to a standard of 775 metres with 1000 metres on key routes.
- Increasing axle weight to 35 tonnes, which provides an increase in 50% in carrying capacity.
- Increasing loading gauge to a standard that accommodates deep-sea boxes and European swap bodies but with the intention to extend mainland European loading gauge beyond the Channel Tunnel Rail Link.
- Government has recognised the need for a Strategic Freight network that builds on the Transport Innovation Fund expenditure. Environmental and congestion benefits justify additional funding beyond the £200 million in the White Paper.

20. The Transport Innovation Fund will be used to increase network capacity and capability for freight through five schemes:

- Capacity improvements from South Humberside ports.
- Gauge enhancement across London.
- Gauge enhancement from the East Coast ports.
- Gauge enhancement from Southampton to the West Midlands.
- Increased capacity on Merseyside.

21. We advocate the further use of the Transport Innovation Fund to create more capacity for rail freight and propose that it should be specifically focused on creating a mainland European gauge cleared route from London to the West Midlands. We are not convinced that the Transport Innovation Fund is an appropriate source of funding for Crossrail.

How successfully has the Government influenced European negotiations regarding freight operations? How could the Government help to ensure a level playing field between UK and overseas freight companies?

22. The UK rail system has an open access environment that can be utilised by any European rail operator with the appropriate administrative approvals. We support the Government's efforts to ensure that other countries of the European Union adopt, and put into practice, the European Directives relating to access to the rail network. International rail freight is a major opportunity. Government had played an important role in creating the right economic conditions for the increase of freight through the Channel Tunnel. These commitments have not been matched by the French Government creating continuing uncertainty for international freight customers. This uncertainty is compounded by the pricing proposals for the use of the Channel Tunnel Rail Link. Pressure should be maintained on the French Government and on the Channel Tunnel Rail Link to create a positive climate for international freight.

How can the road safety record of haulage vehicles be improved?

23. The introduction of Longer, Heavier road vehicles (LHVs) of up to 84 tonnes in weight and 34 metres in length will not enhance the safety record of road haulage vehicles.

Collision damage

24. The kinetic energy of an LHV coming into contact with another road vehicle or a structure such as a bridge support is a function of speed and weight. Even assuming that LHV braking systems are as efficient as those of conventional HGVs, the greater weight of a LHV—up to 40 tonnes more—will inevitably add to the energy which is transferred to an object struck in collision. Unless the crash-worthiness of all other road-users—pedestrians, cycles, cars, buses and other goods vehicles—is commensurately enhanced, all will stand suffer greater damage when struck.

25. The Association of British Insurers (ABI) already acknowledges the issue: in March 2007, the ABI advised its members involved in road vehicle insurance to raise the premiums paid by users of heavier “4 by 4” motor-cars due to their greater weight—and thus kinetic energy—than ordinary passenger cars. This advice reflects the results of research and analysis undertaken by the ABI into collision damage claims.

Manoeuvrability

26. In normal operation on the public highway, HGVs are unlikely to be required to reverse—but a suitably qualified driver can reverse a full-size articulated vehicle should the need arise. Off the highway and at depots, reversing movements often take place. However, LHVs over twice the length of today's lorries and with additional sections (whether draw-bar or semi-articulated) they become far more difficult to reverse unless individual sections are first detached. It might be feasible to detach sections at purpose-built locations off the public highway, but on the public highway under abnormal conditions, the need to reverse an entire LHV could be unavoidable. Then, time and space may not afford the luxury of detaching sections to allow a reversal. Vehicle fires and multiple “pile-ups” could be exacerbated when LHVs are involved. The consequences of collisions and or vehicle fires involving LHVs in tunnels, cuttings, on bridges and other confined stretches of roadway are unpleasant to contemplate.

Intrusion

27. Suggestions have been made that LHVs may be permitted on UK roads—but subject to restrictions on which roads may be accessed. For example, LHVs might be confined to motorways and dual-carriageways where their greater length and lower manoeuvrability would cause fewer problems. This approach brings problems of its own which must be addressed before it can be applied:

- On many trunk routes, provision of dual-carriageways / motorways is not continuous and intermediate stretches of single-carriageway remain. Presumably, LHVs would need to be permitted to use these sections no matter how unsuitable.
- Junctions and interchanges on dual-carriageways (and some motorways) are frequently at-grade, just as they are on single-carriageway roads, necessitating the negotiation of roundabouts and crossroads. The constraints of space and costs often make such junction layouts cramped and ill-suited to HGVs, let alone LHVs.
- Diversionary routes may include long sections of single-carriageway, forcing their use whenever a motorway or dual-carriageway is out of use for maintenance or due to a mishap.
- Many end-destinations such as ports, factories, power stations, quarries and RDCs are only accessible via single-carriageway roads, even when relatively near to dual-carriageways and motorways. Presumably, LHVs would need to be permitted to use these sections.

28. The overall effect of the above is that it is quite unrealistic to expect LHVs to be confined to dual-carriageways and motorways. Other road users must expect to encounter LHVs on many single-carriageways, in rural and industrial areas and on a regular and infrequent basis. It is clear to EWS that it would prove difficult—if not impossible—to define an “LHV accessible” road network, let alone enforce its use.

29. A recent DfT report revealed that foreign lorries caused 44 deaths, 119 serious injuries and 1203 slight injuries with half the foreign lorries checked having safety faults. This reinforces concerns about high levels of non-compliance with vehicle-use and related road safety legislation that are found when official road-side checks are made of HGVs. We can see no reason why LHVs should be more likely to comply with regulations, and it is inevitable that they will be found using single-carriageway roads that are quite unsuited and unsafe for their use.

30. A change in road haulage regulation of the scale proposed by the various options in a study by TRL / Heriot-Watt University (to which EWS has responded) will reduce lorry operating costs. This will render road haulage cheaper than rail to the carriage-paying customer across all the sectors in which these modes compete. Rail has no captive markets: all the sectors in which rail is active are also those where road competes. Road and rail compete in various ways, including reliability and flexibility, but ultimately, price remains a dominant criterion, if not the most dominant one.

Effect on rail freight

31. Modal shift from rail to road will take place. The pace and extent will vary between market sectors and will in part be determined by factors including: (i) the remaining duration of existing contracts, (ii) technical constraints such as road access to loading and unloading facilities, and (iii) the degree of rail’s overall competitiveness with road. There is the prospect of a vicious circle occurring, due to the “bundled” nature of many market sectors. Rail freight infrastructure—such as terminals, marshalling yards, and depots—is often fixed and only viable when large volumes are handled. The loss of marginal traffic will place these costs on a few remaining flows which are then made unviable themselves.

32. We have assessed that the introduction of LHVs will remove all intermodal traffic using rail and cause a significant loss of bulk material by rail including a loss of 50% of aggregates using rail.

33. The withdrawal of rail from much of the UK freight market will remove modal choice from end-users, even in sectors where rail could remain viable. Price apart, road haulage has drawbacks (such as unreliability and extended journey times) that some customers seek to avoid by using rail. The loss of a viable rail alternative will not serve these customers or their end-users well and the overall impact may be a loss of competitiveness for the UK economy as a whole.

34. A further effect would be the generation of additional road freight traffic. This is due to the impact of lower transport costs afforded by LHVs. End-users will respond to this price-signal by realigning their supply-chains in order to take advantage of the step-change reduction in transport costs. An increase in vehicle-kilometres will be the consequence and in turn this threatens to put more—not less—road freight on the UK road network.

35. All this would be a high price to pay for the introduction of LHVs, but there are further costs that other road users, and the UK economy and society as a whole, would have to meet. These are the external costs that are not met by those that pay to have their goods moved by road—and will amount to well over £900 million net per annum.

Memorandum from the Port of London Authority (FT 05)

1. This memorandum is submitted by the Port of London Authority, the statutory port, harbour and navigation authority for the tidal River Thames, its estuary and tidal tributaries, in relation to the Committee's inquiry into freight transport and more particularly to detail the PLA's experience in promoting the modal shift of freight from road to water.

2. In summary, the PLA would submit the following:

- The PLA is responsible for navigation on the tidal River Thames from Teddington to the North Sea.
- The tidal River Thames in the country's most heavily trafficked freight inland waterway with over 1.8 million of tonnes of freight handled between wharves on the river in 2006, representing an increase of 15% over the previous year.
- The cargoes handled are mainly bulk materials—aggregates, waste and petroleum products.
- The interest in using the River Thames for transporting freight is at the highest level it has been in many years, with the PLA currently handling in excess of 20 inquiries for new waterborne cargo-handling operations.
- A successful trial, lasting a week, with Sainsbury's for the transport of containers between east and west London was undertaken early in 2007, which demonstrated the operational viability of such a service. Much remains to be done to turn this into a regular service.
- The main impediments to increased use of the River Thames for the transport of cargoes by water involve the complexity of the necessary consents approvals, with a multiplicity of organisations involved and no clear direction as to objectives and timeliness for decision making.
- The need for wharf capacity in the right location and at the right price is vital to the future of water based cargo transport. London has the benefit of the safeguarded wharves policy but significant time, expense and effort is required to reactivate unused wharves for cargo-handling where they are speculatively owned by developers.
- The economics of water transport are generally less favourable than road transport, requiring flexible, simple and swift decision making processes and a freight facility grant system that is likewise flexible and responsive.
- A practical and quick idea for driving the greater use of water is to require planning authorities to include conditions in planning consents for significant developments on or near waterways to require the use of the waterway for transport of bulk materials to and from the sites. Such an approach is now being taken in London through the latest amendments to the London Plan.
- The carbon footprint of water transport is substantially less than that of road transport. If we are serious about meeting carbon reduction targets, a system of granting tax credits to cargo originators where they use water transport could be used to incentivise the use of water options.

3. The PLA's administrative area and statutory duties extend to a distance of 150 km from the landward limits at Teddington to the seaward limits in the outer estuary, which roughly equate to a line drawn between Margate and Clacton. The PLA, as a port authority, is under the auspices of the Department for Transport, although the Port of London and River Thames is also defined as an inland waterway, its constituent terminals being wholly within the defined Smooth Water Line (SWL) and a substantial number situated upstream (west) of the defined Inland Waterways Boundary upstream of the Port of Tilbury.

4. The River Thames, in common with the UK's other main estuarial ports, offers a number and variety of links into the wider inland waterway network, notably to those administered by British Waterways (the River Lea and the associated Bow Back Rivers from Bow Creek; the Grand Union Canal from both Limehouse Basin and Brentford; and the remaining water spaces within the Isle of Dogs) and the Environment Agency (the non-tidal River Thames from Teddington). Apart from the waterborne transport of aggregates from terminals on the River Thames to floating concrete batching plants within the Isle of Dogs used in the construction of major development projects, which has and continues to represent a substantial throughput of cargo, and the very occasional transport of abnormal indivisible loads, the PLA is unaware of any current flows of cargo between the Port of London and other parts of the capital's inland waterway network.

5. The tidal River Thames is, by a considerable margin, the most heavily trafficked inland waterway in the UK (source: Waterborne Freight in the United Kingdom in 2005, published by the Department for Transport), lifting almost 40% (equating to 19 million tonnes) of the total goods lifted within the UK's inland waters in 2005 and almost 45% (equating to 0.70 billion tonne-kilometres) of total goods moved within the UK's inland waters. In terms of internal traffic (defined as all non-seagoing traffic between wharves situated wholly within the SWL), the pre-eminence of the River Thames is even greater, lifting almost 55% (equating to 1.81 million tonnes) of the total goods lifted in 2005 and a comparable percentage (equating to 0.09 billion tonne-kilometres) of total goods moved.

6. A year-on-year increase in the volume of internal traffic handled within the Port of London of 15% was recorded in 2006. Bulk cargoes dominate the list of cargo types transported on that part of the River Thames defined as an inland waterway, with aggregates volumes in 2006 increasing by 20% and petroleum products by 89% from the previous year.

7. The PLA believes that there has been an increased willingness of both existing operators within the Port of London and businesses keen to obtain representation on the upper reaches of the Thames to investigate the opportunities of shifting currently road-based transport to the River Thames.

8. The Committee will doubtless be aware of the trial on the River Thames facilitated by the PLA and undertaken by Sainsbury's earlier this year. The trial involved the transport by barge of ambient goods in standard ISO containers over one week from Greenwich to Wandsworth. It was deemed to be very successful in demonstrating that the upper reaches of the River Thames were physically capable of being incorporated within a "just in time" logistics operation. Indeed, the goods arrived at the store in better condition than the comparable journey by road. The issues in turning what a trial to a long-term operation with the potential for very substantial levels of modal shift on the capital's congested roads are, of course, many and varied but primarily relate to matters of implementation (particularly the long planning timescales), flexibility and financial viability. The PLA continues to work with Sainsbury's and Transport for London to assess and overcome these challenges.

9. The PLA is also working with a petroleum products distributor operating from a riparian storage facility in west London to facilitate the shifting of its bulk liquid cargo, imported to the UK via the Port of London and handled at a terminal downstream of the Dartford Crossing, from road to water. The modal shift involved, in terms of tonnage, is substantial. However, implementation is difficult. Whilst the multiplicity of agencies and authorities brought together by the PLA agree that the scheme is welcome in principle, there are a range of planning and land issues to overcome. The delays inherent in implementation could ultimately lead the operator to question the viability of the project and consequently the anticipated modal shift will not be achieved.

10. This increasing interest in using the River Thames is, the PLA considers, as a result of a combination of both "push" and "pull" factors, and in particular the strong policies promoting the transport of freight on the River Thames adopted by the Mayor of London within the London Plan (the Regional Spatial Strategy for London), including the protection of riparian land facilitated through the wharf safeguarding policy originally sponsored by the PLA, and also continuing high levels of traffic congestion on the capital's road network. Financial measures, and particularly the congestion charge and, positively, the Government's Freight Facility Grant regime, are also notable factors in this increased interest in modal shift within London away from the roads.

11. The protection of wharves through ministerial direction and translation through to strategic planning policy and the Mayor of London's subsequent power to intervene in planning decisions affecting safeguarded wharves is a very powerful instrument. It is, however, negative in effect. Recognising that there has been little investment in those safeguarded wharves acquired speculatively by property developers, the PLA has been working with the London Development Agency and the Greater London Authority to reactivate viable wharves, including through use of compulsory purchase powers where appropriate.

12. However, it is the PLA's experience that the time taken to implement inland waterway schemes is invariably longer than comparable schemes using the road network. The reactivation of those wharves which have been acquired speculatively by developers for cargo-handling can take many years to implement. These lengthened timescales, together with the inherent flexibility of transporting freight by road and the invariably lesser levels of initial investment, result in a number of potentially viable schemes not progressing. The PLA believes nevertheless that its role as an active facilitator of freight transport has contributed to the increases in modal shift seen within the Port of London.

13. The PLA believes that further fiscal benefits may be required to fully recognise the environmental benefits of water transport. The carbon footprint of transporting freight on inland waterways is substantially less than that of road transport. The PLA believes that in order to meet carbon reduction targets, a system of granting tax credits to cargo originators where they use water transport could be used to incentivise the use of water options.

14. The promotion of freight modal shift from roads to inland waterways has been a recurring political theme over the last ten years. There has however been little systematic analysis at a strategic level of the conditions required to actually implement it and their transferability across the UK. To address this, the PLA strongly recommends that Government devotes resources to the support of a small number of pilot schemes to examine the factors that could lead to a sustainable increase in the modal shift of freight. These schemes would be evaluated by a small panel of experts and recommendations made to bring about change in planning and transport policy and both negative and positive financial measures. It is these issues which, in the PLA's experience, are of paramount importance to achieving necessary modal shift to the UK's inland waterways.

Memorandum from The National Union of Rail, Maritime and Transport Workers (RMT) (FT 06)

1. The National Union of Rail, Maritime and Transport Workers (RMT) welcomes the opportunity to contribute to the Transport Select Committee inquiry into Freight Transport.

2. RMT organises around 75,000 workers in all sectors of the transport industry and negotiates, on behalf of our members, with some 150 employers. In the freight transport sector we represent members at rail freight operating companies including EWS, Freightliner and Freightliner Heavy Haul. We also organise workers in the road freight industry at companies including Freightliner (which operates multi-modal services), DHL, Wincanton Logistics, UPS and Initial City Link.

ENCOURAGING MODAL SHIFT

3. RMT remains committed to a fully integrated, publicly owned and democratically accountable transport network. Self-evidently, all forms of freight transport will continue to contribute towards an integrated and environmentally sustainable freight and logistics industry across Britain. However we are strongly of the view that in order to tackle road congestion, to counter the damaging effects of environmental pollution and contribute to the statutory targets set out in the Climate Change Bill to reduce carbon emissions by 60% by 2050, Government should develop a freight and logistics strategy which encourages significant modal shift from road to rail and other environmentally sustainable forms of transport.

4. Regrettably, the percentage of freight moved by road in the UK is higher than the EU average. Indeed, carbon emissions in the UK from Heavy Goods Vehicles increased from 6.3MtC in 1994 to 7.6MtC in 2004: a rise of just over 20%.³

5. The environmental benefits of rail freight are well established. The Freight on Rail partnership, of which RMT is a member, indicates that an average freight train and an average aggregates train can remove from our roads 50 and 120 HGV journeys respectively. Furthermore, the Rail Freight Group estimates that over the past six years rail freight has saved two million tonnes of pollutants, 6.4 billion lorry kilometres and 31.5 million lorry journeys. RMT believes that as a contribution to meeting the 60% reduction target set out in the Climate Change Bill the DfT should be required to set three year targets to reduce carbon emissions from road freight.

STRATEGIC FREIGHT NETWORK

6. RMT welcomes the commitment in the July 2007 Delivering a Sustainable Railway White Paper to develop a Strategic Freight Network (SFN). We look forward to entering into discussions, alongside our sister rail unions, the Rail Freight Group and the freight operating companies, with the DfT and Network Rail about the scale and scope of the network. In terms of funding, whilst welcoming the £200 million budget for the SFN, we would trust that where social, environmental and business cases are identified for rail freight upgrades and schemes further funding will become available. The Committee will no doubt be aware of the representations made by the rail freight lobby to the DfT in the run up to the publication of High Level Output Specification and the rail White Paper (See Appendix A).

7. RMT will also be seeking clarification on the relationship between the funding of the Strategic Freight Network and monies that might become available for schemes funded by this and possible future rounds of the Transport Innovation Fund.

8. Whilst welcoming the DfT's commitment to a Strategic Freight Network, we remain disappointed that the Delivering a Sustainable Railway White Paper has sidestepped issues which are important for the future expansion of rail freight including the high-speed North-South passenger rail link and capacity enhancements on the West Coast Main Line which, according to the National Audit Office, is unlikely to be able to accommodate current growth levels beyond 2015–20.⁴ RMT is also concerned that any widespread extension of differentiated maintenance standards could have serious implications for freight and we shall be seeking confirmation from the DfT that any such extension does not exclude freight traffic from those lines.

LONGER AND HEAVIER VEHICLES

9. In December 2005 the Department for Transport rejected two applications from road hauliers which sought permission to trial 60 tonne lorries. However, the DfT did commit itself to undertake further studies into LHV's. As the committee will know trials of the vehicles are currently underway in a number of EU states and the DfT is currently undertaking a desk-based study into whether trials should be allowed in the UK. The study is likely to conclude in October 2007.

³ DfT: Transport Statistics 2006

⁴ *The Modernisation of the West Coast Main Line*—NAO November 2006

10. RMT is completely opposed to the introduction of these vehicles onto the UK road network. We believe that should they be awarded licenses, existing rail freight will transfer to road leading to increased carbon emissions and job losses in the rail freight sector. Research produced by the freight operating company EWS in May 2007 indicates that:

- LHVs will create additional external costs of more than £900 million a year.
- Nearly half of existing rail freight traffic in commodities such as Aggregates will transfer to road.
- The introduction of LHVs will generate only minimal environmental benefits compared to existing road fleets.
- International studies do not support the introduction of the vehicles.

11. Regrettably, the European Parliament appears to have conceded the principle of allowing these vehicles onto the European road network. On 4 September the European Parliament by 577 votes to 52, with a further 51 abstentions, voted on non-legislative proposals to allow 60 tonne lorries on certain routes in individual member states. The matter is now with the European Commission who will report back to the Parliament in 2008–09. RMT alongside our colleagues in the Freight on Rail partnership will continue to lobby hard, both in Europe and domestically, against the introduction of these “road-trains”.

AIR FREIGHT

12. RMT believes that Government plans to expand the aviation sector in the UK should be revisited. To increase passenger number from 189 million in 2002 to between 350 and 460 million by 2020 and freight volumes in the South East of England from 2.2 million tonnes in 2003 to 14 million tonnes in 2030 is, in our view, environmentally unsustainable.

13. In 2005, 585,682,000 tonnes of foreign and domestic cargo was moved through UK ports⁵. RMT's view is that the proposed increase in air freight should be moved where possible by sea. Given the huge volume of cargo being taken through UK ports it would seem perfectly possible for the additional business to be readily accommodated.

14. In 2005 90,000 tonnes of domestic cargo and mail was uplifted at UK airports. To deliver an environmentally sustainable freight sector we believe that the vast majority of this cargo and mail should be moved by rail, inland waterway and coastwise traffic. If Government decides to press ahead with their plans to expand the aviation sector, both for passengers and freight, then the very least that RMT would want to see are dedicated rail freight terminals at airports. Currently only the construction site at Heathrow's Terminal 5 is rail connected, although there has been an interest expressed in building temporary rail freight access for the construction needs at Stansted.

THE SAFETY RECORD OF HGV VEHICLES

15. The January 2004 Income Data Service, Report number 896 on pay, conditions and labour market changes, indicated that it is heavy goods vehicle drivers, working an average of 52.9 hours a week, who top the league table of full-time occupations in Britain with the longest working hours.

16. It is well established that the “long hours and low pay” culture in the road transport sector is a threat to road safety, creates unnecessary stress and sits uneasily alongside initiatives to promote a reasonable work-life balance. RMT has campaigned for some time alongside the TUC, TGWU, GMB and URTU for more effective statutory measures aimed at improving the health and safety at work of professional HGV drivers and crew.

17. In April 2005 the Government introduced the Road Transport (Working Time) Regulations 2005. Whilst the regulations do set a maximum average working week of 48 hours over a 17 week reference period (which can be extended up to 26 weeks) from which there is no individual or collective opt-out, they fall short of what we had hoped for. The Regulations introduce a category of time called a “periods of availability” which includes periods spent at depots waiting to load/unload or travelling as a crew member when not navigating or driving which do not count towards the 48 hour average. The result is that road transport workers are being placed in the invidious position of continuing to work excessively long hours in order to maintain their existing living standards. This creates the conditions for bringing the regulations themselves into disrepute, with some drivers wanting to individually opt-out from the 48 hour average.

18. The DfT is currently conducting a review of the Working Time Regulations. The TUC is part of the working party which is seeking to investigate abuses of periods of availability. The result of the review and working party is due by the end of the year. RMT believes that the DfT should conclude their review of the Regulations by deciding to bring forward a framework for the industry that is designed to improve the health and safety of HGVs drivers and by extension other road users. Such a framework should scrap the periods of availability, address the long-hours and low-pay culture in the road transport industry, support shorter working hours and deliver a better work-life balance.

⁵ DfT *Transport Statistics 2006*

CONCLUSION

- RMT welcomes the opportunity to contribute to the freight transport inquiry. RMT remains committed to a publicly owned, fully integrated and democratically accountable freight and logistics network. Specifically RMT is calling for.
- Modal shift from road to rail and other forms of environmentally sustainable transport.
- A well funded Strategic Freight Network.
- Statutory three year targets to reduce carbon emissions from road freight.
- The proposed expansion of air freight to be accommodated where possible by sea.
- Where air freight is required there should be dedicated rail freight access to airports.
- Opposition to 60 tonne longer heavier vehicles on the UK road network.
- A framework to improve the health and safety record of HGVs by tackling the long hours low pay culture in the road transport sector.

APPENDIX A

- Channel Tunnel gauge enhancement to W12 and full European gauge.
- Felixstowe to Nuneaton capacity enhancements.
- Southampton to WCML capacity enhancements.
- Southampton to WCML diversionary capacity and gauge enhancement.
- South Humberside Main Line capacity and flexibility.
- Newcastle to Carlisle gauge enhancements.
- Felixstowe & Southampton train lengths.
- Gospel Oak to Barking capacity & electrification.
- Oxford to Bletchley route reopening.
- Stourbridge to Walsall route reopening.
- Hope Valley capacity enhancements.
- Blaenau Ffestiniog enhance route capability to allow slate waste train operation.
- Newport to Shrewsbury additional capacity & enhanced loop length and capability.
- Cardiff to Bristol enhance Severn Tunnel capacity and increase relief line speeds.
- Cwmbargoed Branch Line improve operation by enhancing line speeds and the creation of new loops.
- Cardiff Central to Cardiff Queen Street additional signalling capacity.
- W12 gauge enhancement from Berwick to Glasgow, including Shotts route.
- Run round facilities at Kilmarnock.
- W12 Gauge enhancements and capacity improvements between Glasgow and Aberdeen.
- Electrification between Monktonhall Junction and Slatford Junction.
- W12 Gauge enhancement of Glasgow & South Western Route.
- W12 Gauge enhancement from Mossend/Edinburgh to Grangemouth.
- Lengthen loops and moving signal to allow longer coal trains from Hunterston.
- Capacity improvements between Edinburgh and Inverkeithing.

October 2007

Memorandum from Freightliner Group Ltd (FT 07)

INTRODUCTION AND SUMMARY

This is the response of Freightliner Group Ltd (“Freightliner”). Freightliner is the second largest rail freight operator in the UK, which has successfully developed its rail freight business from £90m turnover in 1996 to over £250m today. Freightliner has two core companies that specialise in the movement of deep sea containers and bulk materials respectively, by rail. Freightliner believes that its success is due to high levels of customer service and increased reliability of services attributable to considerable investment.

We welcome the government’s aims of transferring freight to more sustainable and socially acceptable modes of transport. This evidence document details how we believe this can be achieved.

To yield the most positive results, in terms of greater modal shift to rail, the industry needs:

- Affordable track access charges (the UK has close to the highest charges for freight in western Europe)
- Equitable pricing of environmental and safety related externalities across modes, in the form of emissions and road pricing which treats all modes the same
- Planning mechanisms to support the development of new terminals
- Further infrastructure investments to increase capacity, capability and reliability of the rail network
- A modest increase in the budget of the Sustainable Development Fund to encourage growth

The white paper published on 25 July 2007 entitled *'Delivering a Sustainable Railway'* stated *"it remains the Government's aim to see greater use of the rail network for both passenger and freight movements. The critical first step, which is at the heart of this white paper, is to increase the capacity of the railway so that it can actually accommodate increased demand"*. As part of the white paper, £200m has been provided by Government to commence work on a Strategic Freight Network (SFN) to successfully facilitate the movement of goods to and from ports as an integrated part of the overall growth in freight demand. *"The key conclusion is that, in addition to good direct links to ports, there is a need for a Strategic Freight Network linking key freight destinations"*.

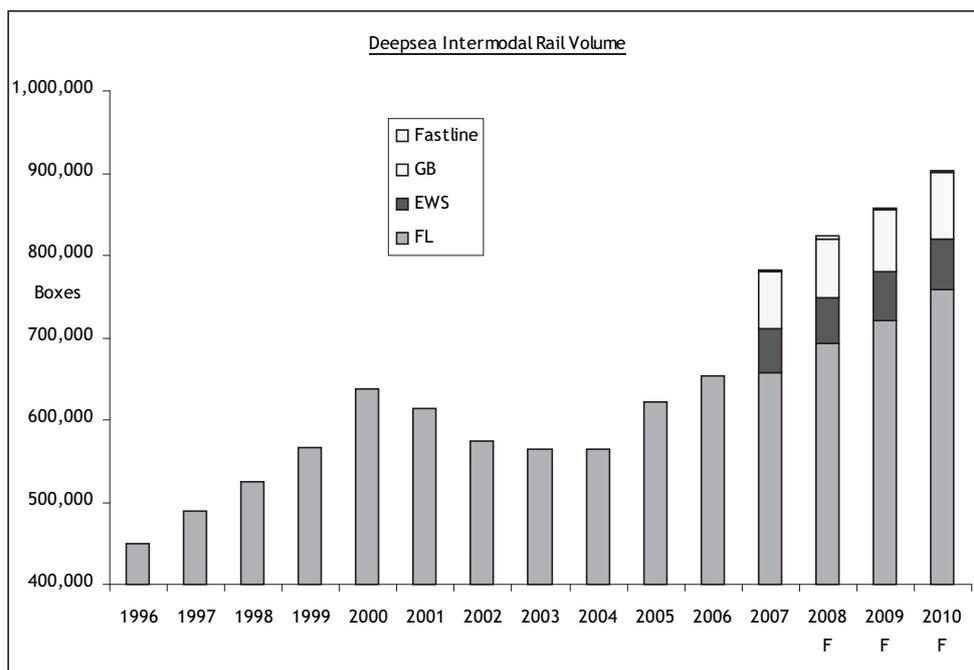
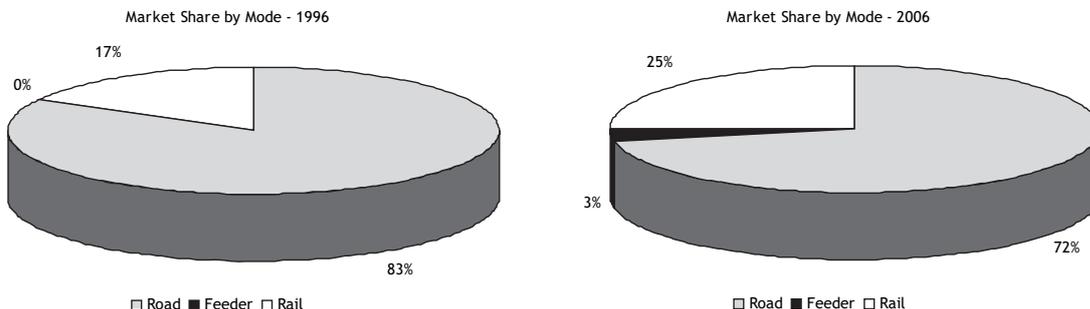
This much needed investment commitment is welcomed by Freightliner and we look forward to working with Network Rail and the Government to ensure that best value for money schemes that enable real growth in rail freight are taken forward.

1. *Is the Department's investment in logistics programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?*

1.1 *Summary*

The Sustainable Distribution Fund (SDF) represents excellent value for money to the Government as grant money is only paid when the containers or other freight is moved by rail rather than road, resulting in considerable environmental, congestion and safety benefits.

1.2 The SDF and other preceding grant schemes have contributed to modal shift from road to rail. Modal share has increased parallel to increases in volumes across the industry:



1.3 From privatisation to 2006–07, Government revenue funding has proved to be a great success in the deep sea sector as volumes moved by rail have increased by more than 70%, whilst unit rates of grant have fallen by 47%. Freight operators have undertaken large scale investment programmes which has helped drive further efficiencies, thus allowing them operate on a lower level of grant.

1.4 From 2007–08 a new scheme (REPS) was introduced, with a significantly reduced budget, being more than 30% less than previously, and fixed for three years. This limiting of funds severely constrains the availability of grant for new traffics to rail and is therefore restricting new modal shift from road to rail. An increase in budget of £5m per annum could make a step change in the ability of rail freight operators to achieve modal shift from road to rail.

1.5 Further Detail

REPS bestows the benefit of moving volume with less pollution and congestion, and in greater safety. delivers excellent value for money, since it only pays for the environmental benefits when such benefits are delivered, rather than speculatively subsidising traffic that may not subsequently materialise. If the REPS budget is insufficient to support rail, the volume moves by road and associated disbenefits increase. There are no risks that the benefits will not actually be achieved, unlike capital grants which are more speculative.

1.6 If funding is capped, the environmental, congestion and safety benefits are lost beyond that point, and modal choice decisions will be based purely on price. Freightliner consider that since the benefits being purchased by REPS are only funded when delivered, and at a cost less than the alternative of expanded road provision, that a capped regime is counterproductive. We believe that REPS is insufficient for today’s volume let alone the future growth predicted.

1.7 Value for money achieved by REPS and its predecessors has improved through investment and efficiencies on the part of rail operators. Real grant per box has fallen steadily and virtually halved in a decade as a result, however since grant support has declined over this time, the full potential benefits of the scheme have not been exploited.

Real Value for Money (Freightliner only @ 2005 prices):

<i>Year</i>	<i>Grant</i>	<i>EB</i>	<i>Value for money</i>
1996	£26.7m	£34.4m	1.29
2005	£16.6m	£46.5m	2.81
2008F	£11.5m	£46.9m	4.54

1.8 Overall grant levels have gradually decreased whilst volume has increased. Whilst Freightliner would expect to continue to offer better value for money per unit in the future, the absolute level of overall budget has been cut at an excessively dramatic rate (£24m 2006–07 to £18m 2007–08). Such a rapid decrease means that there is no budget available for new to rail traffic, and when bids are made for REPS there is no certainty about how much (if any) grant funding will be available. This means that potential rail traffic (and associated benefits, of at least rail:road 1.5:1 ratio) will continue to be transported by the least beneficial mode of road. An increase of £5m in the fund's budget would remove current constraints and potentially induce considerable modal shift from road. The overall net gain to the UK economy through improvements in congestion and safety, along with wider environmental benefit, is obvious.

1.9 Since transferring to the private sector, investment in rail freight on the part of the operator has risen dramatically. Mixed-use locomotives and elderly rolling stock have given way to modern, purpose built equipment, delivering benefits not only to operators and their customers but to the network as a whole in improved hauling capacity (meaning fewer trains required to carry the same volumes) and reliability.

1.10 Investment in terminals has also taken place, often to support “new-to-rail” flows for a variety of sectors.

1.11 Since 2000, Freightliner Group has invested over £270m in a new and enlarged fleet of rolling stock. Of 160 locomotives, 120 new “Class 66” diesels have been purchased in this timescale, along with 1,400 new specially designed wagons for a variety of commodities, bringing the total wagon fleet to some 2,800 vehicles.

1.12 Other new entrants to the market post-privatisation include DRS, First GB Railfreight, Jarvis-Fastline, Victa-Westlink Rail and Colas Rail; choice for customers and a competitive environment to drive service and efficiency are prevalent.

1.13 Capping the available SDF budget at too low a level is discouraging future investment from operators, customers and terminal operators, for “new to rail” flows. Considerable volumes of investment are often required by customers to shift road based supply chains to rail. Previous operator investments have substantially improved levels of service quality. Any continued SDF under-funding is likely to endanger such investment.

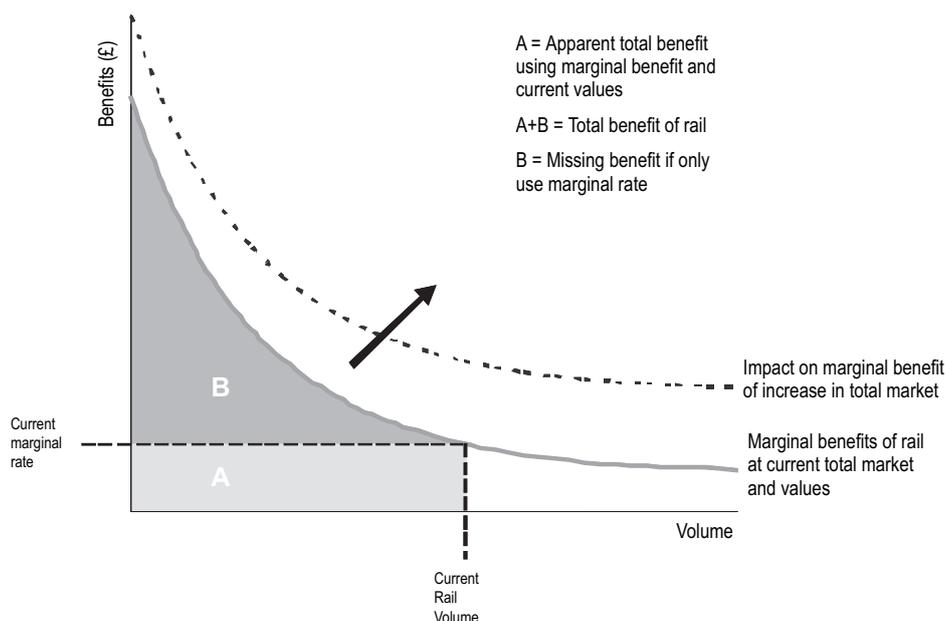
1.14 In the light of the Eddington report, under-funding of the SDF would further fail to deliver the optimum level of benefits in servicing key networks and international gateways, primarily in this case deep sea shipping.

1.15 The other main component of the SDF, aside from REPS, is the Freight Facilities Grant (FFG). In principle, Freightliner support the FFG, but recognise that competition issues have inhibited its' potential benefits. DfT forecast to spend only £2m out of a budget of £7m in 2006–07, despite having applications for grant in excess of the allotted budget.

2. International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements?

2.1 Freightliner welcomes the restructuring of DfT along ‘Eddington’ lines and the move towards an integrated transport policy that links gateways through port and network policy initiatives.

2.2 The Eddington report calculated that the cost of congestion to UK GDP will rise to £22bn. The marginal cost of congestion increases with each additional lorry on the road.



2.3 By under-funding the SDF there is the real danger of volume transfer, or at least growth related traffic, moving by road and hence increasing congestion.

2.4 The Stern review on climate change attaches great importance to the cost of carbon and the future economic cost if urgent mitigating action to reduce carbon dioxide emissions is not taken. We consider it vital to future calculations that environmental externalities be equitably quantified across modes, such that the relative environmental impact of modal choice is explicitly clear and incentivised accordingly.

2.5 DEFRA is currently consulting on the “carbon reduction commitment” (CRC). One key proposal being considered is the imposition of an environmental levy which would affect only those rail operators who use electric traction, but across their entire fleet’s emissions (diesel locomotives included). As proposed, the scheme does not apply to road hauliers. This is a perverse incentive that will clearly discourage modal shift from road to rail.

2.6 Freightliner have invested in new low-emission locomotives, increased train capacity resulting in significant improvements to the carbon efficiency of of rail-hauled freight, and is currently leading a joint study with other operators to collate accurate emissions data for our diesel fleet.

2.7 Modal shift can further be promoted by a cut in track access charges for freight. Indeed some EU member states offer free track access for freight in order to promote modal shift to rail. Access charges in Britain compare unfavourably with other EU member states in western Europe.

2.8 Freightliner are supportive of road user charging which would cause road transport to pay for its environmental externalities.

2.9 Further increases in Red diesel duty would jeopardise modal shift to rail.

2.10 Freight-carrying road vehicle compliance is currently poor, especially compared to the safety compliance that is mandatory for rail operators. Enforcement and tightening of standards in respect of road vehicles could assist in reducing the need for SDF funding by raising the cost of road transport above that which currently prevails in part due to poor technical and operational compliance on the part of unscrupulous road operators.

2.11 Lorry bans through towns and villages are not currently well enforced. Generally police do not see lorry enforcement as one of their priorities. *“All weight limits carry ‘except for access’ and it is very difficult to enforce restrictions and to prosecute breaches of them . . . We also have to consider, in the face of other priorities, whether investigating these offences is the best use of police time and resources.”*—West Mercia Police’s Sgt Mark Roberts to Worcestershire County Council. (“Action Plea on Lorries”, *Express and Star*, 20 April 2006)

2.12 When exercises undertaken on enforcing road restrictions have taken place, a high percentage of lorries are found to have broken rules. VOSA’s effectiveness report 2005–06 states that the prohibition rate for UK vehicles increased to 7.8% for fleet checks and from 9.7% to 13.1% for overloading in the period reviewed. Foreign vehicles were recorded to have a much higher incidence of defects warranting prohibition. It is of serious concern that against this backdrop, the number of roadside checks being performed has dropped markedly.

2.13 DfT's 2005 statistics also showed that HGVs were the only vehicle type which were found to have an average actual speed in excess of their speed limit; on derestricted single-carriageway roads the average speed of HGVs in the "5 + axles" category was 46mph against a speed limit of 40. Almost a third of such drivers exceeded their speed limit by over 10%, as compared to 2% of car drivers. Dual carriageways also saw an average speed in excess of the limit for every category of HGV recorded, the number of vehicles being observed in the study exceeding 3.5 million.

2.14 Even on motorways, vehicles were found to be exceeding the speeds to which they are supposedly mechanically limited.

2.15 There is currently no dynamic acceptance testing of trailers in this country (although there is in Europe). DfT sponsored research undertaken by MIRA (Motor Industry Research Assn) indicated that the paper exercise which is undertaken to determine the suitability of trailers allows trailers with inadequate braking capability to be used.

The project concluded that:

"It has been shown that the current UK process is not entirely satisfactory . . . The UK process is much less stringent than that adopted in most Northern European countries. The investigation has shown that the current process is unable to cover many aspects of the brake system design and installation, such as brake reaction time and system function. It therefore fails to identify a number of faults that may affect road safety."

2.16 Government could further support modal shift by categorically ruling out any increase in existing HGV lengths and weights. The case for longer, heavier vehicles (LHVs) is currently being considered by DfT. Similar studies in Europe have prompted the German government to specifically cite protecting rail freight as a reason for not increasing the size of road vehicles.

2.17 Rail will be promoted further if the government continue to fund the SFN's development to give the capability to for rail to deliver the full benefits of increased modal share during a period when demand for transport is continuing to rise inexorably.

2.18 Freightliner consider that a national policy statement for rail terminals should be developed and added to the other policy statements proposed by the current planning white paper, "*Planning for a sustainable future*". Such policy should be binding upon planning choices at local, regional and national level to protect the interests of freight by rail, recognising that terminal provision and capacity is scarce and requirements for successful terminals exacting.

2.19 The current lack of planning guidance means that regional and national benefits are not taken into account at the planning stage, hampering the development of new facilities.

3. *Air freight in the South-East is forecast to grow from 2.2 million tonnes a year in 2003 to 14 million tonnes by 2030. Has the Department adequately planned for the capacity and access implications of this very significant growth? How will transport networks need to adjust to serve the growing air freight market?*

3.1 Rail-Air freight interchanges are uncommon in this country, however a model is being developed in continental Europe for a range of high-speed freight services linking airports, which will obviate both road haulage and some air legs.

3.2 In seeking to provide such interchanges, government must provide support for the creation of suitable facilities, mainly through planning processes. A national policy statement on rail freight terminals would assist in this respect.

3.3 It is likely that traffic transferring from air transport will require a more capacious gauge; the Channel Tunnel rail link ("High Speed One") to east London is the only route that could accommodate such traffic.

3.4 Freightliner consider that rather than accepting exponential growth in air freight as inevitable, further development of the initiatives referred to in section (2) above, could mitigate the environmental disbenefits of air freight.

4. *Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote 'free movement of goods'? How is this to be balanced with the Department's other commitments? What should be the priorities for the Transport Innovation Fund productivity stream?*

4.1 Freightliner believe that the £200m funding to commence work on a Strategic Freight Network represents a welcome and promising opportunity. Further support to expand the capacity and geographic breadth of this network over coming years will help to promote the free movement of goods in a sustainable manner.

4.2 We look forward to working with DfT to identify the best value for money solutions with which to begin the SFN.

4.3 Free movement of goods should not be at the expense of wider environmental and social considerations. Promoting “free movement” by sustainable modes as identified by the government will require common methodology to calculate environmental and social impact across all modes, and will be achieved through network investment and economic support to encourage sustainable transport choices.

4.4 The Transport Innovation Fund (TIF) productivity stream is a welcome source of funding for projects which will stand to deliver some of the above mentioned investment. We would welcome the future augmentation of the SFN funding with targeted TIF funding for further schemes beyond those currently before the government for consideration.

4.5 Priorities for investment that could be encompassed by productivity TIF, outlined below, are crucial to the development of deep sea intermodal traffic as volumes continue to rise and the proportion of higher 9’6” containers increases. The priority schemes are:

4.5.1 Felixstowe—Peterborough—Nuneaton: Capacity upgrade

4.5.2 Capacity upgrades and a gauge cleared diversionary route from Southampton to the west midlands.

4.6 These schemes are consistent with both the Eddington report and the Stern review as they would contribute to a significant reduction in road congestion, notably on the A14 from Felixstowe and the M27/A34 from Southampton. The associated modal shift from road will also represent a significant reduction in emissions per container, reflecting the improved carbon efficiency of rail transport.

5. *How successfully has the Government influenced European negotiations regarding freight operations? How could the Government help to ensure a level playing field between UK and overseas freight companies?*

5.1 Track access charges in Britain are amongst the highest in Europe.

5.2 Further to para. (2.16) above, LHVs represent a pan-European issue. Freightliner consider that it would be desirable for this country to press for the rejection of LHVs throughout the EU, as opposed to letting individual member states choose.

5.3 Freightliner fully support EU moves to liberalise Europe’s railways, and as such considers that effort should be concentrated upon preventing the former nationalised businesses from pursuing anti-competitive behaviour towards new entrants. Infrastructure operators should be encouraged to contribute towards these efforts.

5.4 Implementation of ERTMS (a new pan-European signalling system) is on the horizon and is about to begin practical trials on the Cambrian lines. There exists the potential that member states may specify sufficient localised alterations to the ERTMS standards that true interoperability may never be achieved.

5.5 Furthermore, financial support will be required to support the implementation of ERTMS equipment, since there is no business case for such installation costs for freight operators, some of whom have invested heavily in locomotives in recent years. Locomotives are a circa. 30 year asset and hence introduction of this technology when assets are replaced is not possible.

6. *How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries? Are the restrictions on night-time deliveries still appropriate? What impact would weakening the restrictions have on quality of life and other factors?*

6.1 Freight Quality Partnerships (FQP) are primarily concerned with local issues of such scale as to not be relevant to rail operations, which are by their nature on a greater geographical scale.

6.2 FQPs also tend to encourage road solutions to road problems, a fact which is likewise connected to their scale.

7. *How can the road safety record of haulage vehicles be improved?*

7.1 The primary method to improve the road safety record of haulage vehicles is clearly to progress modal shift such that volumes conveyed by road transport decrease.

7.2 Rail freight enjoys a safety record which is incomparable with road; standards are more rigorous, compliance is total. By its very nature, the railway is able to convey freight faster, in a manner which is physically separated from the public.

7.3 Compliance with road industry regulations is proven by DfT’s own statistics to be poor, particularly from foreign vehicles.

7.4 In 2005 there were 11,162 accidents on UK roads involving HGVs. 520 HGVs were involved in fatal accidents in 2005 with 2,168 accidents involving an HGV in which the injuries incurred were fatal or serious. There were 2,843 HGV user casualties (ie drivers and passengers) of which 55 were killed and 340 seriously injured. There were 655 pedestrian casualties in HGV-related accidents, of which 65 were deaths and 159 serious injuries.

(Source: *Road Casualties Great Britain: 2005*, DfT)

7.5 The comparable number of deaths caused by rail freight is minimal. There are no directly comparable figures published by the DfT for rail freight but for all of rail (including all passenger trains) but according to Rail Safety and Standards Board's Annual safety performance report, there were no passenger or workforce fatalities in 2005. There were 13 non-trespass deaths in 2005 on the railway, the majority on level crossings.

7.6 Rail freight movements are strictly enforced. Both speeding and overloading simply do not occur, and there is no question of a train moving over a route that it is unauthorised to traverse. National computerised systems prevent a container train from being released if the containers it is carrying exceed the weight limit for any individual wagon or the whole train. Speeding is simply not acceptable in the rail industry and drivers know there are severe consequences if it incurs. Indeed, data-logging is now mandatory on railway locomotives and as such the actions of drivers are comprehensively recorded and routinely analysed.

7.7 The TPWS (Train Protection & Warning System) automatically puts the brakes on trains if they pass signals at over the permitted speed and each incident where the TPWS equipment activates to slow down a train is investigated. Train operators have policies for professional driving which means that they approach yellow or red signals cautiously in order to prevent any signals past at danger (SPADs) or TPWS activations. Each operator has its SPAD record carefully monitored by the Office of Rail Regulation and has to explain any increases in the levels of SPADs that occur.

October 2007

Memorandum from Network Rail (FT 08)

INTRODUCTION

1. Network Rail owns and operates Britain's rail network. It is a private, independent, "not for dividend" company directly accountable to its Members and regulated by the Office of Rail Regulation. Profits made go straight back into improving the railway. The aim of the business is to provide a safe, reliable, efficient and sustainable railway, fit for the 21st century. Network Rail owns around 20,000 miles of track; 40,000 bridges and tunnels; 1,000 signal boxes; 9,000 level crossings; 2,500 stations that are leased to train operators; 17 large stations that are managed and operated directly by the company, and a further 8,200 commercial properties all of which fund the rail network infrastructure with £250 million per annum.

2. Network Rail does not run the trains themselves. That is the business of the 24 passenger and four freight train operating companies who are its main customers. In a complex and entirely interdependent system, both Network Rail and the train operating companies share the responsibility of delivering train services to the travelling public and to the nation. However, 60% of journeys start or finish at one of its 17 managed stations, with 650 million people passing through these stations every year. This much direct contact with passengers provides Network Rail with an understanding of their needs from and aspirations for the railway and, ultimately, Network Rail seeks to meet these.

3. Network Rail welcomes the Committee's intention to conduct an inquiry into the issues connected to freight policy, and the opportunity to respond. We trust this response will provide an informative contribution to the Committee's inquiry and would be happy to provide further evidence, either in oral or written form.

THE GROWTH IN RAIL FREIGHT

4. Network Rail is serious about freight and helps operators, and their customers, in planning and developing rail freight. It provides access to the national rail network, and offer a professional and practical service for organisations wishing to move freight across Britain by rail. The company recognise freight operators are not franchisees: they are long term businesses that have invested accordingly, and their customers are the lifeblood of British industry.

5. Rail freight is a success story, and the social and environmental benefits it brings to society are considerable. Indeed, every single person in Britain benefits in some way from rail freight. Shifting traffic from already congested roads to rail will bring greater future benefits. To businesses, rail freight can offer a cheaper, quicker, more practical and greener alternative to moving goods by road.

6. Traditional bulk commodities form the majority of current rail freight shipments, with coal, construction materials, metals and industrial minerals comprising over 80%. Recent overall growth in the rail freight market has been in two key areas: coal and intermodal,⁶ both of which are predominantly imported and access the UK through ports.

⁶ Intermodal freight uses load-carrying boxes designed to be carried by more than one mode of transport. Transfer between modes is typically undertaken at terminals by overhead cranes.

7. Network Rail is committed to developing Britain's rail freight industry and helping it play a greater role in meeting the nation's transport needs. The industry has grown rapidly in the last 10 years to the point where 20 billion tonne kilometres of freight are transported every year, including nearly 80% of the coal used by the UK's power stations and over a third of all metal transported for our industries.

8. In many parts of Britain, economic growth, allied to significant improvements on the railway itself, is leading to increasing demands on the rail network. Development of rail capacity and capability to meet the growing demand is a central element of the Government's transport policy as articulated in the recent White Paper *Delivering a Sustainable Railway*. Network Rail aims to provide a high performing network that accommodates the aspirations of both freight and passenger operators to increase their services, in a way that maximizes overall value for money, is affordable and can be delivered reliably.

9. By the end of 2008–09, Network Rail is forecasting an increase of 3.6% in the number of freight tonne kilometres. This is based on an increase in intermodal traffic and the change in the pattern of coal traffic to power stations. However, it is expected that there will be a growth of up to 30% in freight tonnes over the period to 2014–15 compared to the base year of 2004–05, which equates to up to 240 additional trains per day on week days (including return trips running empty). For this additional demand to be met by road freight would lead to around an extra 1.5 million lorry journeys on the roads each year. Whilst growth is predicted in the volumes of most commodities carried, the greatest overall level of growth is expected in deep sea (intercontinental) intermodal traffic. The greatest levels of change in demand on a route by route basis are driven by alterations in the sourcing of coal used by the electricity supply industry. However, Network Rail is not expecting the development of major connectivity between air and rail.

10. This growth is good news—it reflects the attractiveness of rail as a way to move goods and commodities and the success of the freight operators in marketing the railway to their customers. It also has clear and substantial environmental benefits for the country compared to the alternative of moving this freight by road.

NETWORK RAIL'S ROLE

11. In March 2007 Network Rail published its Freight Route Utilisation Strategy (Freight RUS), which presents a view of the freight growth and alterations in existing traffic flows that can reasonably be expected to occur on the network by 2015, as well as a strategy to address the key issues that arise in accommodating these changes. The strategy was developed in conjunction with Network Rail's funders and customers and overseen by the Office of Rail Regulation.⁷

12. In meeting this rising demand, the Freight RUS considered the ways in which the existing network can facilitate additional freight traffic, as well as recommending network enhancements to enable both the network, and the traffic it can carry, to grow even further.

13. Unlike the individual "geographical" RUSs (eg the South West Main Line RUS or the Cross London RUS) which concentrate on resolving changing passenger demands on fairly self-contained parts of the network, the Freight RUS considers the future of freight across the entire network. This is important because freight movements cross operational, political and geographical boundaries. A network-wide approach made sure that the freight demand forecasts used within each of the geographical RUSs were consistent and a consistent national strategy for freight was adopted. This strategy will only be revisited if capacity requirements are significantly different when taken alongside demands for the passenger railway.

14. Despite the unique role of the Freight RUS in the RUS programme, the process followed was and is consistent with that taken throughout the RUS programme. It involved a detailed understanding of the freight network, forecasting freight on the network up to 2015, assessing and agreeing the key gaps with industry stakeholders and optioneering to understand what action can be taken to bridge the gaps. A range of solutions were considered in a hierarchical manner starting with simpler, non-infrastructure solutions (such as amendments to timetables and operating longer trains where the existing infrastructure permits) and progressing to consideration of infrastructure solutions if required.

15. The Freight RUS recommends a proactive strategy for development of certain routes to W10 gauge from the current, smaller, W8. This will facilitate the growth of rail's share of the market for haulage of 9ft 6in containers, enabling it to carry a significant volume of traffic that would otherwise be carried by road. Routes from the Ports of Southampton and Felixstowe are demonstrated to have a positive business case. In addition, operators have expressed aspirations to expand the coverage of W12 gauge and European gauge to specific parts of the network. It is now Network Rail policy that W12 clearance (which in many cases involves only a small amount of incremental work over W10 clearance) is considered as a starting point when a structure is renewed on the routes identified as priorities by the operators in the RUS. This may be achieved by either the replacement of a bridge with a higher structure or a lowering of the track.

⁷ The Freight RUS was overseen by a Stakeholder Management Group consisting of Network Rail, English Welsh and Scottish Railway, Freightliner, GB Railfreight, the Association of Train Operating Companies, the Department for Transport, Transport Scotland, the Welsh Assembly Government, Transport for London, the Rail Freight Group and the Freight Transport Association. Passenger Focus has been consulted at regular intervals during its development. The Office of Rail Regulation (ORR) attended Stakeholder Management meetings as observers. It is available at: <http://www.networkrail.co.uk/browse%20documents/rus%20documents/route%20utilisation%20strategies/freight/freight%20rus.pdf>

16. Network Rail was particularly pleased to be able to announce that the Network Rail Discretionary Fund and the company's Out Performance Fund will be used to fund a number of the enhancements proposed in the Freight RUS, allowing them to move forward immediately. The Department for Transport has indicated its support for the enhancement of infrastructure to international gateways through its Transport Innovation Fund, which will facilitate greater volumes of freight movements by rail. Amongst those enhancements which will be funded or part-funded directly are works to generate additional train paths and diversionary flexibility from the ports of Felixstowe, Southampton, Immingham, Hull and Liverpool and gauge and capacity schemes between Gospel Oak and Barking.

17. Network Rail is also involved with Freight Quality Partnerships across the country. It is always interested in exploring with industry partners and others how to deliver better rail services as part of the Freight Quality Partnership initiative.

18. In addition, Network Rail is engaged in an ongoing dialogue with customers and the Department for Transport to identify schemes which will be developed as part of the Strategic Freight Network which was proposed in the July 2007 White Paper. Further details will be available when Network Rail's Strategic Business Plan is published in early November.

THE IMPORTANCE OF RAIL FREIGHT

19. The recent increase in coal traffic has been driven by two factors. The first has been a modest increase in the total amount of coal burnt for electricity generation, as coal has become more competitively priced relative to gas as a source of power. Coal burn at power stations increased from 49.5 million tonnes in 2001 to 51.1 million tonnes in 2005.⁸

20. Second—and much more significantly in terms of mileage—there has been a shift toward more coal being burnt at power stations that are rail-served. This has been caused by a reduction in coal burn at power stations that are not rail-served (eg Tilbury power station plans to close as it cannot cost-effectively meet recent emissions requirements) and a requirement to burn more low sulphur coal (mostly imported) which is less energy efficient than British deep mined coal (ie more has to be burnt to produce a given output). There has also been a significant increase in the quantity of open-cast mined coal transported from Scotland. These factors have driven an overall increase in coal moved for power generation (measured in tonne kilometres) of 45% between 2001 and 2005.

21. The Freight RUS makes two key assumptions. Firstly, that levels of imported coal will continue to grow throughout the period covered by the RUS, replacing some remaining domestic coal supplies and, secondly, that coal's place in the energy mix in the UK remains broadly similar to that today. Coal fired power station owners have invested heavily in flue gas de-sulphurisation equipment in order to reduce the emissions from their power stations. The level of this investment suggests to us that they anticipate supplying a considerable share of the UK's energy needs throughout CP4 (Control Period 4, which covers the years 2009–14), and beyond.

22. The importation of deep sea containers—driven primarily by domestic demand for imported goods from the Far East—has increased by an average of 5% a year over the last 10 years. Rail is a competitive mode of transport for the trunk haul inland from the ports towards the containers' final destinations. Since privatisation in the late 1990s the rail's share of this traffic has increased from around 16 to 25%.

23. Other key markets for rail freight are bulk commodities such as construction materials, metals, and oil and petroleum products. Rail haulage of construction materials has grown by 17% over the last five years, with growth being focused on London and the South East. The key demand driver is large commercial construction and civil engineering projects (eg the building of Terminal 5 at Heathrow Airport). The volume of metals transported over the rail network has declined over the last five years, though the average distance hauled and the tonne miles have increased. Oil and petroleum haulage has been flat over the same term.

24. Network Rail's Strategic Business Plan—the response to the Department for Transport's High Level Output Specification—will set out a number of major infrastructure projects to be undertaken over CP4. These projects, by definition accessible to freight trains, will themselves have a potentially significant positive effect upon the sector.

THE ENVIRONMENTAL BENEFITS

25. In October 2006 HM Treasury published the Stern Review on the Economics of Climate Change which estimated that the dangers of unabated climate change could be equivalent to 20% of GDP or more each year. The report was based on an update of the scientific evidence produced for the 2001 Intergovernmental Panel on Climate Change. The evidence of the relationship between transport emissions and climate change has reinforced a Government focus on the causes of greenhouse gases. There has been an increasing focus on the environmental benefits of modes of transport with lower emissions, including benefits of moving freight by rail.

⁸ The *Digest of UK Energy Statistics* published by the then Department for Trade and Industry showed that, in 2005, 33.5% of electricity generated in the UK was from coal.

26. Subsequently, in December 2006 HM Treasury and the Department for Transport published the Eddington Transport Study which highlighted the pivotal role that transport plays in the UK's economic productivity, growth and stability, within the Government's broader commitment to sustainable development. The recent White Paper estimated that in 2005–06 rail freight saved 6.74 million lorry journeys, equivalent to 122 billion kilometres over that period.

27. For all commodities, it can be anticipated that increasing congestion on roads and environmental issues and incentives will lead to rail being an increasingly strong alternative to road haulage. Every freight train takes an estimated minimum of 25 HGV journeys from the road: if that train is carrying aggregates that figure can increase by up to 60.

28. An example of the emerging change in emphasis can be seen with Eddie Stobart Ltd announcing the launch of its own rail freight service, as well as a contract with Tesco to move goods between the retailer's depots in Daventry and Livingston. The train, which makes the return journey between the depots every day, carries a load equivalent to the volume of 28 lorries. This arrangement therefore saves 19,600 road miles each day. The same haulier has also recently acquired a share in a freight operating company giving direct access to terminal facilities.

CONCLUSION

29. In summary:

- A number of factors have contributed to the success of rail freight in recent years, including improvement to the performance and operation of the railway, national economic growth and an increased demand for certain commodities;
- Rail freight is particularly vital to some sectors, notably electricity generation, where approximately one quarter of the nation's generated power involves the use of coal transported by rail, and the distribution of containers from ports;
- Rail freight is expected to grow further in the next decade and beyond;
- Network Rail is committed to helping maximise the benefits the freight network brings to the nation, through growth and further improvements in performance;
- Network Rail is equally committed to working with freight operators and users to facilitate growth in freight traffic through the more effective use of capacity; and
- Rail freight brings considerable economic and environmental benefits to wider society, particularly in terms of reducing both congestion and emissions.

APPENDIX A

STRATEGY FOR KEY FREIGHT ROUTES

WEST COAST MAIN LINE

The key flows driving the RUS strategy for the West Coast Main Line are between Carlisle and Preston (the continued operation of Class 6 diesel hauled services over the steep gradients and some projected intermodal growth) and further south between Winsford and Weaver Junction, at Stafford and between Rugby and Wembley (growth in the deep sea intermodal market).

Short term (CP3: 2007–09)

- The proposed December 2008 timetable is seeking to meet freight operators' existing needs.
- New loop at Hartford with higher entrance and exit speeds to be delivered under the West Coast Route modernisation project.
- Diversion of some services via Macclesfield to remove some daytime services from Stafford station and Stafford Trent Valley junction.

Medium term (CP4: 2009–14)

- Electric haulage of some new freight traffic between Crewe/Warrington and Carlisle/Glasgow (over Shap) to enable a third Up path in most daytime hours.
- Diversion of some Up Class 6 services via the Settle and Carlisle and Hellifield—Clitheroe—Farington Junction (away from Shap).⁹
- W10 clearance from Peterborough to Nuneaton and some initial additional capacity from Felixstowe to Nuneaton, allowing five additional paths from Felixstowe to be routed cross-country away from the southern section of the WCML.

⁹ This option is dependent on significant volumes of track and structures renewals work between Hellifield and Blackburn.

Long term (beyond CP4)

The following schemes are beyond the timescales of the RUS but will be needed if the projected growth continues:

- Lengthening of some intermodal services to/from the Haven ports.
- Major enhancements in the Stafford area (passenger demand could drive this scheme in the medium term).
- Major capacity enhancements on the Felixstowe to Nuneaton route.¹⁰

HAVEN PORTS¹¹ TO THE WEST COAST MAIN LINE*Short term (CP3: 2007–09)*

- The Base Case assumes that the capacity upgrades which Hutchison Ports UK are required to deliver as part of the planning permission for Bathside Bay and the expansion of the Port of Felixstowe (capacity upgrade of the Felixstowe branch, alterations to Ipswich yard and W10 clearance of the route between Ipswich, Peterborough and Doncaster) are completed within the RUS period.
- The established Cross London RUS states that 10 additional trains can be accommodated on existing routeings via the Great Eastern (GE) and North London Line. This should be sufficient until at least 2010–11.¹² Three additional trains per day have already started running since the base year 2004–05.

Medium term (CP4: 2009–2014)

- There will be a medium-term requirement to route some trains to and from the Midlands and West Coast Main Line via Ely, Peterborough, Leicester and Nuneaton (the “cross-country” route). The RUS recommends that it is cleared to W10 and that signalling headways are shortened in the Kennett area and a northern facing chord to the Down slow line is added at Nuneaton, subject to further development through the GRIP process.
- The above will be sufficient to accommodate growth of five trains per day¹³ in each direction on the cross country route and provide a valuable diversionary route. The specification of long-term capacity enhancements¹⁴ will depend on the timing of new portside capacity at Bathside Bay, and any future decision to route some existing services away from the Great Eastern and North London Line to facilitate improvements in the passenger timetable.
- The Cross London and Freight RUS both recommend the implementation of gauge clearance to W10 of the Tottenham and Hampstead Line and associated capacity enhancements which would enable some services from North Thameside (including those from Shell Haven if it is developed) to avoid the North London Line.

Long term (beyond CP4)

- Lengthening of some container trains to 30 wagons (from the present 24) could be facilitated by further alterations to Ipswich Yard, and loop enhancements on the cross country route. Higher powered traction would also probably be required if trains are to maintain Class 4 timings. This option should be considered in conjunction with Ipswich area re-signalling which is due to occur post 2015.

SOUTHAMPTON TO THE WEST COAST MAIN LINE

Short term (CP3: 2007–09)

- Signalling enhancements on the Sutton Park Line implemented with Saltley signalling renewals to increase capacity on the alternative route to the WCML from Leamington.

¹⁰ The optimum time to deliver capacity enhancements at Leicester (the key constraint on the “F2N” route) may fall inside the medium term (CP4) depending on the timing of resignalling of Leicester control area (currently planned for 2013–15).

¹¹ Felixstowe and Harwich/Bathside Bay.

¹² The precise point at which remaining capacity on the GE is taken up is dependent on the rate of portside development at Felixstowe South and Bathside Bay and the timing of delivery of HPUK enhancements to the Felixstowe branch and Ipswich yard.

¹³ This is in addition to nine growth paths identified via Peterborough to the East Coast Main Line destinations.

¹⁴ As footnote 6.

Medium term (CP4: 2009–14)

- W10 gauge clearance of the core route via Eastleigh, Reading West Junction, Leamington and Nuneaton.
- W10 gauge clearance of Landor Street—Sutton Park line—Darlaston Junction to complete a second W10 cleared route between Leamington and the WCML offering access to the WCML at times of blockade on the core route.
- Development of a W10 gauge and capacity capability for diversion via Melksham or Laverstock/Andover is subject to further business case development.

Long term (beyond CP4)

The RUS recommends that if the demand continues to grow as predicted further schemes may be necessary beyond the life of the RUS. If development of an additional one million TEU handling capacity takes place at the Port of Southampton, the following schemes will be required in the medium term.

- Grade separation at Reading West: Construction of a flyover to allow container trains travelling to and from the Basingstoke lines to reach the Up and Down goods and relief lines on the Great Western without crossing the fast lines.

Further capacity enhancements are also likely to be required along the core route and these are detailed further in Chapter 9 [of the Freight Route Utilisation Strategy].

EAST COAST PORTS TO THE AIRE AND TRENT VALLEY POWER STATIONS

Short term (CP3: 2007–09)

- Brigg Line enhancement to provide a significant number of additional paths per day in each direction between Immingham and the Trent Valley power stations/Doncaster and a diversionary option to the South Humberside Main Line.
- Wrawby Junction linespeed improvements.
- Partial double tracking of the Hull Docks branch.
- Reinstatement of the Boldon East curve to generate additional paths to and from the Port of Tyne and provide an alternative to the East Coast Main Line routeing via Durham.

Medium term (CP4: 2009–14)

- Cottam Chord, allowing direct access from Port of Immingham to the Cottam power station, thereby relieving congestion on the Doncaster-Worksop route and the South Humberside Main Line.
- Killingholme Loop to provide improved rail access to the Port of Immingham, particularly HIT2 and the Killingholme branch.
- Partial double tracking of the Hull Docks branch.
- Selby station bi-directional signalling and extension of Barlby loops.

ANGLO-SCOTTISH COAL ROUTE

The Scotland RUS (published in March 2007) recommends enhancements on the Glasgow and South Western route. The Freight RUS recommends the following additional enhancements:

Short term (CP3: 2007–09)

- Enable loaded Up freight services to join and depart WCML at greater speed by relaying part of Mossband up arrival line to 50 mph and providing a starter signal on Gretna station platform.
- Provision of six additional signalling sections on the Settle and Carlisle route to generate additional paths and improve passenger and freight performance.

Medium term (CP4: 2009–2014)

- If the maximum tonnage (Sensitivity 1) forecast occurs, there would be a requirement for up to approximately £60 million worth of additional track renewals and structures work.

October 2007

Memorandum from DHL Express (UK) Limited (FT 09)**1. INTRODUCTION**

1.1 DHL is the global market leader in the international express and logistics industry.

1.2 Our expertise is in express, air and ocean freight, overland transport, contract logistic solutions and international mail services. DHL's international network spans more than 220 countries and territories, employing 285,000 people around the world.

1.3 In the UK, DHL Express is the market leading express delivery company—operating from around 300 locations across the country. We offer international, domestic and same day express services for many of the UK's most successful companies, from multinationals to small businesses. These services range from express delivery of single items such as documents, through to complex supply chain solutions and value added tailored services for the pharmaceutical and banking industries.

1.4 DHL Exel Supply Chain provides customised, IT-based solutions along the entire supply chain. As well as core procurement logistics, warehousing and sales logistics operations, we offer value-added services such as finishing, co-packing, price labelling, billing, order processing—all the way to sales promotion and financial services. We work across a range of sectors, including healthcare, technology, aerospace, automotive, industrial, retail and consumer.

1.5 DHL welcomes this inquiry. Freight is an important contributor to UK plc and we are grateful for the opportunity to respond. We are keen to see greater integration of freight transport and this submission sets out our comments on some of the points the Committee has raised.

2. IS THE INVESTMENT IN LOGISTICS PROGRAMMES VALUE FOR MONEY?

2.1 A significant proportion of the DfT's investment in freight has been directed towards supporting waterways and rail. So far as we are aware, however, there has been little investment in either road or rail freight—which represent the primary routes by which freight is transported. In our Express business, investment in slower forms of freight transport, notably waterways, are of no benefit either to us or to our customers, for whom time is a key element of the service we provide. We would like to see more investment in road and rail freight.

2.2 We would be pleased use rail freight to a much greater extent than we do at present if it was cost effective, and reliable enough, for us to do so. Current costs and reliability are prohibitive, especially for night transport of freight.

2.3 There are also limited opportunities for us to use rail on the routes we operate. For our business, without considerable new investment elsewhere, road is likely to remain by far the most reliable and cost effective method of transporting goods for the foreseeable future. Too much time would be lost in delivering "express" material from our consolidation points to the rail head (by road) and cross loading onto a train. The frequency of these rail services could also be an issue. Upon arrival at the destination rail head another road journey would be required to reach the deconsolidation area.

2.4 That said, we believe in planning and investing for the future and would welcome greater Government investment in R&D for freight. Industry already makes a significant contribution in terms of R&D investment and innovation, whether it is through development of alternative fuels or new types of vehicles. We would encourage a closer working partnership with Government on R&D to ensure that collective resources are channelled more effectively towards a fewer number of possible solutions, rather than the disparate approach that is being taken at present.

2.5 For the Logistics part of our business, rail is a more attractive option, given that there is more bulk delivery and it is less time sensitive. Indeed we currently use rail at our site in Daventry where we utilise intermodal containers to move product from Daventry to Scotland by rail, with onward distribution within Scotland by road. However there is still a need for greater investment in this network to enable it to better support our needs ie more strategically placed open access intermodal terminals, with a rail network capable of operating seven days a week.

2.6 In the past, we have sought to take advantage of government investment in logistics by applying under the various funding regimes for grants to develop rail solutions. Our experience of this process, however, is that the administration required is extensive and can be difficult. It also seems to us that on investigation, the grants available for individual projects are significantly reduced from those announced in the headline figure. We would welcome a more simplified system with clear processes for grant application.

2.7 Another area of significant cost to the business which should be mentioned is that of penalty charge notices incurred as a result of loading and unloading activity. This is a particular issue for DHL in London where there are a number of different local authorities with different rules and regulations for loading and unloading. For example, a DHL Express vehicle will on average make 45–50 stops in one day; delivering and picking up shipments from customers which could contain anything from vital components for machinery to time critical documents or medical products. In addition, Tradeteam, a specialist part of the business has scheduled week in and week out commercial deliveries to pubs, clubs and restaurants and still receives a significant number of penalty notices simply for doing its job. Tradeteam delivers barrels of beer and other heavy products so needs to deliver outside the business—moving to a nearby loading bay is not an option. Although work has been undertaken by the different local authorities, such as loading analysis and some hot spot investigations, progress is slow. There are still large costs involved, the industry wide cost was last estimated to be over £1 million. Added to this the congestion charge in London and the cost of doing business for the freight sector increases. More investment from government into this area would be welcomed and help to offset either some of the costs and invest in more research for adequate loading areas or special dispensation, or support the work of those local authorities to examine the issue in more detail.

3. AIR FREIGHT IN THE SOUTH EAST

3.1 The South East UK airport system, particularly Heathrow and Gatwick, not only serve the population of the South East but—due to the extensive international air networks—act as a magnet for the entire UK. The majority of UK forwarders and anyone else involved in international long haul freight movements will have consolidation operations in or around the Heathrow/Gatwick area. DHL is no exception with a dedicated freight facility located in the cargo village next to Terminal 4.

3.2 Aside from the 250–300 destinations serviced daily through the use of commercial airlines DHL also operates two daily, late evening departures, dedicated freighter aircraft from Heathrow; albeit due to curfew restrictions (pre 6.00 am) these return via Luton airport, only positioning back to Heathrow in the early evening. DHL foresees the predominant position of Heathrow airport in the air freight market as unlikely to change and in fact would support any initiative which helps maintain this very important economic asset. For DHL's overnight European services our main air hub is based at East Midlands Airport where we operate around 21 dedicated freighter aircraft on a nightly basis, moving thousands of kilos per day.

3.3 For the long haul market, DHL requires strategic airports such as Heathrow Airport to have the ability to grow to meet the needs of the commercial airlines and thereby increasing belly hold capacity for freight. For intra-European business, and increasingly for some of the long haul services, DHL needs access to a limited number of regional airports: one in the South ie LHR, one in the Midlands ie EMA and one in Scotland ie EDI. However, to serve our customers' needs these must be operational 24/7 hours. We would propose that the Government consider the benefit that some of the additional slots generated by the proposed application for the third runway at Heathrow, if granted, be reserved for cargo aircraft operations as and when required. Interestingly, analysis undertaken in the OEF study on the Economic Impact of Express Carriers suggests that “the catalytic economic benefit for a flight by an express delivery operator is around £58,000. This is almost three times greater than for the typical UK passenger flight”.

3.4 With regard to sustainable aviation, DHL supports the inclusion of aviation in the EU Emissions Trading Scheme provided it is well-designed and non-discriminatory between EU carriers and between EU and third country carriers. In this respect, DHL is very concerned about the proposed amendments by the European Committee of the European Parliament regarding the baseline (2002 to 2006) cap (75% of the baseline) and multiplier which will have a severe negative impact on the aviation sector, thereby harming EU's competitiveness. Furthermore the proposed default conversion factor of one passenger weighs 150 kg is not reflecting reality, out of line with international and EU regulations and will discriminate against air freight by allocating free CO₂ allowances to passenger carriers for weight they do not carry in reality. Finally, DHL considers it crucial that there is no accumulation of economic instruments ie if there is an ETS for aviation, there should be no imposition of emissions related taxes or charges. The UK will not be able to keep its lead position in the world air freight market unless the inclusion of aviation within ETS is based on reasonable parameters.

4. PLANNING AND DELIVERING AN INTEGRATED INFRASTRUCTURE

4.1 We would support Government moves to deliver an integrated infrastructure. Access is a key factor for us. Planners need to ensure that new developments provide adequate facilities and space for freight access. In addition, the recent publication of the Draft Local Transport Bill which aims to give more independence to local authorities to introduce charging schemes without the need for national legislative approval could make an integrated freight plan complicated given the differing needs of passengers and freight. DHL operates on a national basis and there are obvious difficulties when trying to run a transport system which covers many local authorities.

5. EUROPEAN NEGOTIATIONS

5.1 We agree that there is currently no level playing field between UK and overseas freight companies. As a business that operates Europe-wide, we know that UK hauliers pay higher costs than their European counterparts. UK hauliers currently pay annual road tax and have the most expensive tax regime on vehicle fuel oil.

<i>Country</i>	<i>Excise Euro/1000 litres</i>	<i>Diesel Price Euro/Litre</i>
UK	782	1.358
Germany	486	1.094
Belgium	342	1.029
Holland	365	1.043
Portugal	339	1.196

Source: EU Energy and Transport Figures ISSN 1725–095.

5.2 The Burns Report calculated that through the combination of lower fuel tax and zero road tax foreign operators have a £6.75 billion advantage per annum.

5.3 In addition, the percentage share of UK operators handling cross border freight has again fallen in the last quarter. (*Source:* Motor Transport.)

5.4 We would welcome moves to ensure that foreign hauliers pay their share of road costs and would support a vignette system as this would provide a fairer means for foreign hauliers to contribute to the UK's infrastructure costs. This would be a simple annual charge, levied on foreign hauliers at port of entry, where payment is validated by the display of a non-removable windscreen sticker, boldly displaying year of validity. A sliding scale of charges would be levied based upon the number of months of validity the vignette had until the year end.

5.5 A further example of areas where UK freight operations are at a disadvantage to equivalent operations in Europe involve the level of commitment given to major transport projects that can directly or indirectly be funded by Europe:

<i>Country</i>	<i>Kms HSRN (over 250km/h) Built</i>	<i>Under construction</i>
Belgium	120	77
Germany	1,291	
Spain	1,225	515
France	1,573	320
Italy	562	328
UK	74	39

Source: EU Energy and Transport figures ISSN 1725–095.

5.6 Whilst the above might not have a direct relation to freight investment, by investing in new passenger rail projects, older rail lines would be available for the development of freight networks.

5.7 A final source of financial support for modal switching freight transport is available from the Marco Polo II grant scheme which is administered by Brussels. The key parameters for success are that any supported scheme must involve modal switch (usually from road or air) to more sustainable mode (rail or waterways) AND involve the crossing of an EU boundary, which clearly limits any likely grant success for UK freight operators.

5.8 There are a number of areas whereby simple completion of EU internal market rules would have a positive impact in the UK. For example, the lack of a truly harmonised EU Internal Market for all modes of transport allowing free movement of goods and the freedom to provide transport services is hampering a seamless and more environmentally-friendly cross-border transport flow, particularly in the areas of cabotage, air traffic management, urban transport policies and transparent and open railways.

6. EFFECTIVENESS OF FREIGHT QUALITY PARTNERSHIPS

6.1 From our experience, some of the freight quality partnerships work well; others are less effective. In London, for example, we believe that practical outcomes would be improved if a consistent approach was endorsed and applied across all the London boroughs. At present, each authority may impose different rules, causing problems when making deliveries across London. We would also recommend greater focus on the non-metropolitan areas.

6.2 That said, we also have a word of caution. We have seen a growing number of freight initiatives—Sustainable Freight Distribution Strategy/Freight Quality Partnerships/Freight Operators Recognition Scheme and so on—all of which take up resources. We would prefer to see fewer programmes that are focused on practical results rather than a larger number of discussion forums and policy groups. We think that the issues around freight—congestion/sustainability/space for loading and unloading are clear—it is time now for some practical steps to be taken.

7. ROAD SAFETY IMPROVEMENTS

7.1 Road safety is vital to the effectiveness of our business and DHL has a wide range of initiatives in place. We have a good track record on road safety and believe that some of our own programmes would merit wider application across the industry. For example:

7.2 *Trucks and Child Safety (TACS) Programme*

DHL has been involved with the Trucks and Child Safety (TACS) for the last 19 years. This is a national child safety training programme run by the Exel Foundation and employees of DHL, who volunteer to be trained as TACS demonstrators.

7.3 The Exel Foundation is a charitable foundation which runs programmes with the various DHL businesses in the UK, including TACS, which aims to teach children aged between seven and 11 to be safe on the road by creating a greater awareness of large vehicles and their associated dangers. On average, each year in the UK more than 10,000 children are educated on the dangers of trucks and road safety. TACS has also been piloted in Germany and Spain.

7.4 The programme aims to raise awareness of the dangers of heavy goods vehicles through interactive sessions on:

- Exactly what a driver can or cannot see in the mirrors.
- The vehicle's blind spots.
- How difficult it is for a driver to hear a child shouting while inside the cab.
- The distance required on the nearside when the vehicle is turning left at a road junction.
- What a child should do if a football runs under a truck.
- How to walk when near to a truck to avoid danger.
- Volunteer TACS demonstrators undergo a Criminal Records Bureau check and receive a training course delivered by the Exel Foundation to fully prepare them for their role.

7.5 To this end, during the last year more than 11,000 children aged 7–11 received a TACS demonstration, improving their awareness of how to stay safe. Since 1998, a conservative estimate is that more than 60,000 children in the UK have received a TACS demonstration.

7.6 There are some concerns in relation to foreign LGVs involved in accidents. We have seen an increasing number of foreign registered LGVs entering the country—due to lower running costs and the inability of UK based hauliers to compete on international lanes.

8. RECOMMENDATIONS

8.1 The freight industry faces a number of challenges over the short, medium and long term. These include, increasing costs, increasing congestion and increasing regulation. All of these impact our ability to operate and provide a much-needed service to our customers and to the wider economy.

8.2 Above all, we would urge legislators and policy makers to adopt a joined-up approach to freight planning to secure the continued success of this important sector of the economy. Indeed, as the latest Oxford Economic Forecasting survey (November 2005) states, the express industry alone “*is expected to grow by 6.7%pa over the next 10 years, nearly three times as fast as GDP, as the industry services the increasing need for rapid, guaranteed delivery . . . as a result the catalytic contribution of the express industry to UK GDP is set to increase over the next 20 years to more than £5 billion a year in 2004 prices*”.

8.3 Freight management and efficient supply chain management are critical to the UK economy. We would urge the Committee to call for more targeted resourcing to ensure that our industry can continue to innovate and play its full part in improving this country's transport and logistics services.

Memorandum from the Institution of Civil Engineers (ICE) (FT 10)

INSTITUTION OF CIVIL ENGINEERS

1. The Institution of Civil Engineers (ICE) is a UK-based international organisation with over 75,000 members ranging from professional civil engineers to students. It is an educational and qualifying body and has charitable status under UK law. Founded in 1818, the ICE has become recognised worldwide for its excellence as a centre of learning, as a qualifying body and as a public voice for the profession.

2. ICE has focused on providing evidence on measures to promote modal shift from road to alternative forms of transport and to a lesser extent on the role we believe the Department for Transport can play in developing integrated infrastructure.

BACKGROUND

3. The economic performance of the UK depends to a great extent on the movement of goods around the world. Increasingly the UK is outsourcing its production overseas, meaning an increasing volume of goods need to be imported. UK imports now comprise a much higher proportion of finished goods than 50 years ago. The economic transition from manufacturing industry to services has led the UK to run a deficit on its merchandise trade balance, with the imports of goods and raw materials exceeding exports.ⁱ The price that UK consumers and businesses pay for all these goods in shops or over the internet is affected by the cost of the supply chain bringing it to them. Equally, the competitiveness of exports from the UK is affected by the ability of our industries to get their products out to the global market quickly, reliably and, above all, cheaply.

4. According to Sir Rod Eddington in his 2006 Transport Study “transport’s key economic role is likely to be in supporting the success of the UK’s highly productive urban areas in the global market place, and enabling efficient freight distribution . . . There is clear evidence that a comprehensive and high-performing transport system is an important enabler of sustained economic prosperity: a 5% reduction in travel time for business and freight travel on the roads could generate around £2.5 billion of cost savings—some 0.2% of GDP.”ⁱⁱ

What more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements?

Roads

5. Transport for London claims that road congestion costs businesses in and around London £1.6 billion per annum.ⁱⁱⁱ Recent research indicates that HGVs only pay for around 59%–69% of the full costs (including social and environmental) they impose upon society. These costs include emissions, air pollution, noise, congestion, accidents and deaths.^{iv} Congestion is currently estimated to cost UK businesses between £15–£20 billion per year and could double over the next decade.^v

6. Most of the vital goods imported, including food, are trucked by roads from the ports, first to distribution centres and then to shops and businesses. Goods are trucked up and down the country because the transport part of the total distribution costs is low compared with other forms modes of transport, eg rail. With greater affluence and more sophisticated technology, the service industry is growing fast. This could mean more vans and cars will be using the UK’s roads and contributing to the growing problem of road congestion. The total freight carried on the UK’s roads increased by 13% between 1994 and 2004 but light vans and similar vehicles are doing 41% more miles than they were doing 10 years ago.^{vi}

7. Congestion is the result of overuse of roads, and the lack of reliable and cheap alternatives, such as the railways and inland waterways. Measures now in place are designed to cope with congestion, not reduce vehicle use. However, the most effective policy would be for the Government to take a lead on road pricing, which ICE has long advocated as a means of reducing congestion through the management of demand for road space. However, measures, such as road pricing, will not succeed by themselves in encouraging the transfer of freight movement off the roads and the development of dedicated freight lines, separate from the already busy passenger lines, is essential.

Inland Waterways

8. ICE has previously argued that inland waterways present some limited opportunities to move cargo. Peel Holdings are a private company with responsibility both for the Mersey Docks and also the Manchester ship canal, previously these two assets had been in different ownerships, but now they are unified more work is being carried out to deliver cargo to and from the Mersey Docks using the ship canal to link to producers and customers within the urban conurbations around Manchester. This demonstrates that waterways can provide an adequate means of access at a number of ports.

9. However, only a limited number of commodities are suited to transport by inland waterway. Hauliers will require significant education to identify suitable goods, for example aggregates, and thereby utilise a mode of transport that lacks the speed of road and rail systems. In the first instance perhaps more can be made of the existing established facilities. Good examples include the Manchester Ship Canal, the waterways linked to the Humber, The Thames and the Sharpness Canal.

10. Hauliers may similarly be reluctant to use coastal shipping which potentially adds a further delay and costs with another transshipment from one mode to another (albeit both ships). The alternative modes of transport (road and rail) available at most ports present a more efficient, cheaper and quicker method of moving cargo to its destination. Coastal shipping may remove traffic from our road and rail infrastructure but it must ultimately be transferred at a port from the ship to another, albeit more local, transport mode.

11. Incentives to use inland waterways and coastal shipping with penalties from those who use other modes should encourage a shift. Congestion charging and road pricing will encourage more traffic to switch.

Shipping and Sea Freight

12. According to the Freight Transport Association sea freight accounts for 95% of UK imports and exports by tonnage. This means almost 600 million tonnes a year—totalling goods worth £336 billion. Sea freight is also an important source of domestic freight movements—getting freight closer to its destination by environmentally friendly means.^{vii}

13. The competitive nature of the UK's ports has seen great benefits for the UK economy. Most British ports are now run as commercial enterprises in the private sector. Strong ports stimulate trade and help to attract inward investment. Entire regional economies depend on them. However, the UK's major ports are increasingly congested. The delays, costs and rejections resulting from the planning process for new port facilities, such as the Dibden Bay Terminal project at the Port of Southampton, are leaving shippers reliant on existing facilities. Ports such as Felixstowe, Southampton and Liverpool are experiencing congestion. This can result in delays for ships but, just as importantly, in congestion for the onward transport link. As limits are reached, either goods will not come in or will have to reroute to less convenient ports—adding time and cost to both imports and exports, damaging the UK economy. Given the geographic proximity of several major European deep-sea container terminals the UK continues to be vulnerable to competition from these ports and number of which are subsidised by their national governments. Vessels already destined for Europe will only make a direct UK call if shipping lines consider both port capacity and economics dictate that it is beneficial to do so. While British business is no stranger to the costs of road congestion and insufficient rail capacity, for businesses such as ports that depend on their ability to dispatch goods on time, increased congestion could be fatal.

14. The 100 or more commercial ports in the UK are crucial to developing and implementing a sustainable, integrated transport strategy. They offer a “coastal ring road” for shipping that could, with further port development, transfer domestic freight around the country, providing relief for the road and rail networks and perhaps even reviving the movement of freight through the UK's inland waterways.

15. ICE considers that the UK road and rail distribution system does not have the capacity to meet the demand created by new port developments. The approved proposals for container port expansion in the Greater South East¹⁵ require the developer to meet the full costs of providing the necessary improvements to the off-site infrastructure (ie road and rail). The high cost of such infrastructure at a time when there are competing demands on developer resources could prevent work proceeding. While the Government needs to make a realistic assessment of the contributions developers are able to make, particularly in relation to small ports, it must contribute its share of investment to port development and the related transport infrastructure to deliver the benefits they produce for the wider national economy.

16. There are proposals from ports outside the Greater South East to expand their facilities which could satisfy the demand for capacity in a potentially more sustainable way. These proposals may similarly be subject to costly off-site road and rail improvements that the promoter cannot afford. If the demand for capacity cannot be satisfied the trade will go to the competing ports in northern Europe.

17. The Port of Liverpool is the key point of arrival and departure for goods and materials in the North West. The region and nation depend on it. In recent years, volumes of freight through the port have risen, reaching a record 32.2 million tonnes in 2004. But without modernisation of the infrastructure in the port and around it, the Mersey could look less inviting to international shipping. Modest investment in the rail links to the port would also significantly enhance Liverpool's international standing.^{viii}

18. Improvements to surface access to provide capacity are an essential part of new and existing port developments. The approved port works at Felixstowe, Bathside Bay and London Gateway are all reliant upon new road and rail works. It is currently anticipated that these new “off-site” works will be paid for by the scheme promoter but the costs are substantial and the schemes may not progress as a result. Surface access to some ports will remain inadequate until it is recognised that road, rail and waterway improvements have

¹⁵ In the context of this submission, the Greater South East (GSE) includes London, the South East and East Anglia.

benefits for users other than ports and thus other bodies contribute to the cost of the off-site works. It is recorded that Hutchison Ports are required to fund improvements at Doncaster, some 180 miles from their terminal at Felixstowe.

19. Government must support the development of the infrastructure links to the ports (ie road and rail, and potentially inland waterways). This needs to be a mixture of strategic infrastructure (to cater for passengers and freight) and local infrastructure (to cater for employment related travel). Where possible and appropriate, there should be an encouragement for freight to be transported by rail.

Rail

20. In the last decade rail freight has grown by 66%; in the year 2005–06 rail freight moved 22.11 billion net tonne kilometres.^{ix} Per tonne carried, rail produces between five and 10 times less emissions than road transport,^x and over the past six years rail freight is estimated to have saved 2 million tonnes of pollutants, 6.4 billion lorry kilometres and 31.5 million lorry journeys.

21. Despite this progress, there is still more to be done as rail freight volumes are small in comparison to freight by road. An average freight train has the capacity to remove 75 HGV movements from our roads and an aggregates freight train can remove 120 HGV journeys from our roads.^{xi}

22. ICE has previously stated that rail freight is vital and improvements to the rail network serving ports are essential. At present the heavy rail network is multipurpose. The same network is required to carry long-distance, fast, passenger traffic; long-distance freight at slower speeds; intermediate-distance, slower traffic passenger traffic; and commuter traffic for the major conurbations. This “one track fits all” approach is wasteful, inefficient and incapable of dealing with further freight expansion.

23. The current rail network also suffers from certain system bottlenecks eg the need for freight services to cross the passenger lines at Reading, or the need to run services from the East Coast ports via London because of the lack of a suitable direct freight link to the Midlands. Shorter distance freight journeys from the southern and eastern ports are hampered by the lack of circumferential rail links around London. However, ICE supports the Government’s allocation of funds to begin improvements at Reading station and its plans to develop a strategic freight network to reduce conflicts between freight and passenger movements.^{xii}

24. Incentivising companies to utilise long distance rail freight would undoubtedly have wider benefits for society. However, road haulage is still too cheap compared to rail when transporting freight to locations south of the Midlands. A new economic environment would need to be created to deliver a significant reduction in rail costs, which could in the long term result in modal shift to rail.

25. However, whilst not enough is being done to encourage companies using ports to make more use of rail, such measures are unlikely to be effective as the current practical limits of the UK rail network have been reached already.

26. ICE urged the Government in its *State of the Nation* report 2006 to think now about the unavoidable capacity issues on the UK’s north-south rail routes and commission a detailed study into the feasibility of a high-speed rail link between London and Scotland. As highlighted in the ICE report *The Missing Link*,^{xiii} such a route would benefit customers and free extra capacity for the growing freight market. The study would also need to consider whether enough freight capacity would be provided by removing inter-city traffic from existing routes or whether a dedicated freight route was required.

27. Freight traffic heading from east to west, rather than south to north, faces difficulty, with few cross-county rail links to the Midlands. ICE supports the Department for Transport’s short listing of the gauge and capacity enhancements to the Ipswich—Nuneaton rail link for Transport Innovation Funding and improvements to the north London orbital rail links would make a big difference, and take thousands of heavy-goods vehicles heading for the North West and west of England off the roads.

28. A rail network with sufficient capacity for freight is crucial for the future of freight transport across the UK. It would help to minimise the environmental impacts of freight movements, take part of the strain off an overstretched road network, whilst supporting the competitiveness of the UK economy. A long-term national rail strategy is urgently needed for moving passengers and freight in comfort and on time and ICE supports the Government’s intention to work with the industry to develop and help deliver a Strategic Freight Network.^{xiv} ICE is part of the forum that is currently responding to the *Delivering a Sustainable Railway White Paper*.

29. However, freight and rail policy is still London centric. While freight and rail improvements in an around London are essential, ICE is concerned that the 2012 Olympics, Crossrail, the East London Line and Thameslink will exhaust funding and human resources, only leaving the opportunity for minor tweaking of the rail infrastructure elsewhere.

Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote “free movement of goods”?

30. For strategies that involve the movement of goods through the country then the Department for Transport should be given authority to co-ordinate all the regions. However, the Regional Development Agencies and local authorities need to ensure the links to provide the transport infrastructure to encourage modal shift—particularly access to the inland waterways and rail terminals are in place or if not are being considered as part of the Local Development Framework process and Regional Spatial Strategies.

31. Government could place some requirement on Local Authorities to assist and/or achieve some of this modal shift.

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October 2007

Memorandum from the South East England Development Agency (SEEDA) (FT 11)

Summary of main points:

High correlation between capacity for efficient movement of goods and economic development.

Strategic development of primary road network to ensure commercial growth.

Resilience and capacity for anticipated freight levels.

Air Freight

Alignment with European policy.

Innovation; a wider role for new technologies.

Non LGV traffic.

Safety; limited scope for effective results through policy.

Railfreight

Railfreight gauge enhancement to improve network.

Interchange facilities.

Targeted expenditure of TIF/P to rail freight network.

BACKGROUND

1.1 SEEDA is one of nine Regional Development Agencies responsible for delivering economic development and regeneration in England. Together with the South East Regional Assembly, SEEDA is responsible for drafting the Regional Economic Strategy (RES) and the transport and spatial planning strategy document known as the South East Plan. The English RDAs, led by Advantage West Midlands have made a joint response to the Department.

1.2 The South East region is a significant economic entity with a population of 8.2 million and a regional GVA at 15.6% of the national total. Together with London and the East of England Region this greater south east represents a globally significant and successful region with a population of 21 million (35% of UK) and a GVA of £450 billion.

1.3 Despite the growth in financial services and invisible earnings, over 60% of the nations trade is in physical goods, therefore the movement of freight is vital to the trading prospects and economic performance of both the region and the nation.

REGIONAL PRIORITIES

2.1 The South East England Development Agency has identified the following as regional priorities.

2.2 Enterprise & Global Competitiveness—Increase the businesses operating internationally from 10% to 15% by 2015 in the region.

Smart Growth—Invest in integrated, intermodal transport hubs of national and international economic importance.

Sustainable Prosperity—Promote & contribute to the delivery of local, regional and national infrastructure that is resilient to climate change.¹⁶

2.3 These actions are dependent upon the capacity to move goods and people efficiently and reliably. This in turn requires appropriate infrastructure investment.

ECONOMIC VALUE

3.1 The Eddington Transport Study concludes in the first chapter that “The evidence presented shows that transport, under the right conditions, can deliver GDP and productivity benefits although the scale of this is difficult to assess”. Eddington also states that “freight movement could be better managed though improved reliability, which would allow reductions in inventories and optimisation of vehicle usage”. However, the headline conclusion from the study was that given predicted growth rates, the cost of congestion to business would be £10 billion per annum by 2025.¹⁷

3.2 SEEDA fully endorses the Eddington approach to policy making in full consideration of the economic and social costs, sophisticated policy mix in examining solutions and seeking to maximise use of existing infrastructure.

SEEDA believe that strategic plans for infrastructure of ports, roads and rail should be premised on the ability of that investment to maximise economic potential rather than match predicted growth. Therefore SEEDA will seek to adopt the Eddington approach of commencing evaluation of infrastructure provision with a thorough economic analysis of the project.

¹⁶ Regional Economic Strategy 2006–16.

¹⁷ Eddington Transport Study 2006 3.48 p 113.

 NATIONAL IMPORTANCE

4.1 Whilst the high volume of international freight represents a considerable relevance for the south east it should be recognised that this movement of goods is of national importance with 28% of GDP in international trade.¹⁸

4.2 A significant proportion of goods traded with the EU come through Kent (42% of international lorry traffic). In terms of seeking the continued resilience of this major corridor, it should be recognised that systematic failure will have considerable national consequences. Therefore, there is national interest, for instance in measures to cope with the consequences of Operation Stack.¹⁹ In June 2007 the Secretary of State announced plans to invest in a Quick Movable Barrier system to manage queuing vehicles on M20. Stephen Ladyman MP also gave a commitment to seek an off road solution to this particular problem. SEEDA would welcome the Department's assurance that they are still committed to seeking a permanent solution.

TRADE AND THE SOUTH EAST

5.1 The South East Region is an area in which international freight movement is highly significant. As the closest region to the near continent, the vast majority of goods traded with partner nations in the European Union transit the area through the ports of Dover, Ramsgate, Portsmouth and the Channel Tunnel Rail Link. The development of high speed rail links with continental Europe has been a spur to attracting and developing businesses in the region. The expansion of states in the EU and the aspirations of other countries to join will provide additional trade through this south eastern corner.

5.2 Trade with the rest of the world has also increased for the UK deep-sea ports. The south eastern ports of Southampton and Medway, adjacent to the busy international shipping lanes and the proximity to the major ports of Rotterdam, Antwerp and Le Havre have seen a strong growth in trade, particularly in containerised cargoes.

5.3 These principles equally apply for the ports of London, Harwich and Felixstowe as well as the new ports at Bathside Bay and London Gateway (formerly Shellhaven). Although outside the SEEDA region, traffic from these ports will affect the transport infrastructure of the greater South East. It is important that the growing traffic is reflected in long term policy options for both road and rail.

GROSS TONNAGE LIFTED UK PORTS

<i>Category</i>	<i>SEEDA Region</i>	<i>Greater South East</i>
Gross tonnage	17%	31%
Containerised cargo	26%	74%

Focus on Ports DfT 2006 % of UK totals

MODAL SHIFT

6.1 The most realistic aim of securing continued economic growth and addressing climate change is in terms of increasing the use of rail freight. Government has recognised this fact in that the Rail White Paper and in its application of the Transport Initiative Fund. Both initiatives have contained specific measures aimed at improving rail freight. Whilst this represents a high volume of expenditure in infrastructure improvements for the rail industry it aligns well with the conclusion of the Stern Review ie current expenditure that can mitigate the effects of climate change is a worthwhile investment. It is also the case that in order to effectively meet potential demand, the rail freight network requires a suitable network of interchange facilities. Whilst these exist in part and there are a number of potential developments we would ask that the Department for Transport is supportive of such developments with other departments and local authorities.

6.2 SEEDA has recently successfully coordinated a bid for TIF/P funds to improve gauge capacity from Southampton docks to the Midlands. SEEDA secured matched private sector contributions and ERDF funding through the Interreg IVB strand. We feel that this multi-national and collaborative approach is an appropriate model for future projects.

6.3 Gauge capacity of the network is a restriction on the ability of rail freight to offer commercial tariffs. In cases where limited gauge capacity has required the use of well wagons this has been at the expense of high volume capacity for that train. The current Rail Utilisation Strategy for rail freight has endorsed an Eddington like approach to developing a rail network capable of carrying high cube containers (W10) in

¹⁸ Greater South East accounts two-thirds of exports and three-quarters of imports. *ONS Pink Book*.

¹⁹ Operation Stack was implemented 92 times between 1996 and 2004 (85% due to weather).

directing investment at removing bottle necks within the current limited network. SEEDA is supportive of these measures. The RDAs endorse Network Rail's long term aspiration for increasing the network to be able to carry wider and refrigerated containers requiring W12²⁰ gauge clearance.

6.4 SEEDA is aware that the Channel Tunnel Rail line offers clearance to continental standards. It is also underused in terms of rail freight at current levels of less than 10 per day. This facility parallels the M20 from Kent to London which is carrying over 4 million LGVs per year, the juxtaposition of these two modes represents a highly visible opportunity of strategic and effective policy implementation. The level of charges and the penalties for delaying passenger services through the tunnel are believed to be depressing potential demand. SEEDA invite the department to examine these tariffs and possibly influence a more conducive financial basis to international rail freight.

CAPACITY CONSTRAINT AND NETWORK SYSTEMS

7.1 Although SEEDA can identify successful interventions in seeking modal shift it remains the case that there will be a high²¹ and growing volume of road freight placing a high level of demand on the available infrastructure. Set in the context of growing volumes of road freight the following are areas of concern.

M20	Main route for Dover and Channel Tunnel.
A2/M2	Main route for Ramsgate RoRo traffic and alternate route of Dover.
M25	London Orbital; includes Heathrow and Gatwick airports.
A34 and M3	Main route north for Southampton and Portsmouth.

7.2 Whilst recognising the above as particular examples of bottlenecks it should be recognised that the strategic road network in the south east is interrelated. The consideration of growth in particular international freight flows will need to be considered along with general population growth in the south east, in particular the designated growth areas in the Thames Gateway.

7.3 The pressure from growth in traffic is focused on the strategic motorway and primary road network in the south east. The matrix of correlated demand for journeys and their interrelated functions will include:

- Growth of RoRo traffic through Dover and Channel Tunnel.
- London Gateway and Felixstowe port development.
- Thames Gateway²² development, particularity in north Kent.
- Ebbsfleet International Station and its potential to be catalyst for development.
- Shift of the centre of gravity for the financial services sector eastwards with the development of Canary Wharf.
- Increased volumes of air freight centred on Heathrow.

The product of these predicted factors could overstretch the capacity of the M25 M26 M20 and M2 on more than just peak hour basis. The ability to circumnavigate London is fundamental for the continued performance of the region.

7.4 SEEDA, together with the London Development Agency and EEDA have undertaken to examine the connectivity of the Thames Gateway, this joint initiative will examine transport links in the area and will include the following

- Access and capacity enhancement on M2/M20/M26/M25.
- Lower Thames Crossing.
- Upgrade A2/M2 corridor to Dover.

The RDAs are committed to undertake considerable expense in research of economic potential of these links. It is our intention to ensure that there will be a sophisticated evaluation of the freight and traffic patterns associated with these contributing factors. We therefore would welcome the opportunity to collaborate with DfT and their agencies in this work and offer to make results and conclusions available.

MARKET DIFFERENTIATION

8.1 Whilst considering wider policy on freight, perhaps the most pressing matter is for road transport, this being the majority mode and its consequences are highly visible. It is worth noting that the logistics and freight industry is diversified. The industry actually made up of a number of distinct sub sectors, including waste, construction, groceries, consumer goods, finished goods, and agricultural as well as international traffic. What is certain that whilst they have differing economic drivers they are competing for scarce resources including road space. It is also true that number of these grouping are a function of population and therefore likely to have proportional consequences on the more populous areas of the country which clearly applies to the south east.

²⁰ W12 gauge allows 9'6" containers including refrigerated units.

²¹ 65% of goods are moved by road. Eddington 2006.

²² Thames Gateway is a Government Designated Growth Area—49,000 homes planned in Kent by 2026.

AIR FREIGHT

9.1 This has been a significant growth sector. It has benefited from the expansion in low cost air travel in that some 70% of cargoes travel in the hold of passenger planes. It may be that taxes levelled in the hope of changing travel behaviour are less effective as the commercial costs for the flight can be recovered from the freight element.

9.2 In the South East region there has been a concentration of this industry upon Heathrow,²³ with a number of carriers establishing bases there resulting in a high volume of road traffic centred on these hubs. Whilst not in the SEEDA region Heathrow is adjacent to the region and the effect of this increase in traffic is felt directly. Potential use of regional airports for freight (eg Manston in Kent) could reduce pressure on stressed sectors of the road system.

INNOVATION

10.1 There has been considerable development in the area of technical advancements in engine technology, alternate fuels and IT applications aimed at reducing transport's environmental impact.

10.2 SEEDA is aware of the work the Department has undertaken in relation to Sustainable Distribution Fund in disseminating best practice to the industry. However, we feel that this reflects current methodologies in distribution and logistics and that there may be scope for this fund to include more radical solutions. One area that can have notable environmental and economic benefits is in consolidated centres, whether retail, construction or waste, these centres by their conglomeration effect can have the possibility of combining loads to achieve the critical mass necessary for rail or waterborne alternatives.

SAFETY

11.1 In terms of safety the modal choice is a determining factor with rail and waterborne freight being significantly safer. Although this means that road transport is by comparison the most dangerous, it should be remembered that the safety record for UK hauliers is good and there was a reduction from 597 to 486 deaths involving lorries in the 10 years 95 to 2005 despite an increase of the number of LGV by 6%.²⁴ This may be due to the more sophisticated activities of the enforcement agencies (VOSA²⁵ and the police) that have used automatic number plate system linked to data bases and the increasing use of electronic tachographs.

11.2 The KSI²⁶ number on UK roads is increasingly harder to reduce with policy initiatives being ineffective as the proportion of "rump" groups of motorcyclists, children and young male drivers increasingly influence the statistics. It is unlikely that further directives aimed at the haulage industry will be noticeably effective.

NON LGV

13.1 The comparative low cost of goods vehicles under 7.5 tonnes (vans) together with the growth of home deliveries through e-business has seen an increase of the proportion of goods transported by these vehicles. The scale of this sector of the logistics industry will need to be considered in policy formation on congestion and climate change.

EU POLICY ALIGNMENT

14.1 The realisation that increasing economic activity and population is linked to higher volumes of freight but that in turn leads to degradation of the environment is not confined to the UK.

14.2 The European Commission is currently considering initiatives aimed at reducing the carbon footprint and reliance on oil inherent in our current distribution patterns. Part of the strategy is aimed at delivering both the Lisbon and Gothenburg agendas. These policy initiatives including the Marco Polo scheme are aimed at consideration of the wider distribution pattern in a more sustainable way with multi modal solutions from start to finish for goods journeys.

14.3 Similar to Eddington in the UK, the Commission have focused their attention at identifying international bottlenecks and have drawn up a Freight Logistics Action Plan which is due to be adopted by the Commission on 17 October 2007.

14.4 SEEDA would urge Government to consider policy alignment with the EU to maximise the potential effect of UK policy and look to combined funding for potential solutions.

²³ 2005–06 1,360,000 tonnes—2015 1,800,000 tonnes airfreight at Heathrow. BAA Heathrow.

²⁴ Focus on Freight DfT 2006.

²⁵ Vehicle and Operator Standards Agency.

²⁶ Killed and Seriously Injured.

CONCLUSION

15.1 SEEDA welcomes the Departments interest in the question of “freight”. It is difficult to separate the subject from consideration of climate change, traffic management and land use planning. SEEDA is actively engaged in seeking improvements in access to global gateways and promoting alternatives to road freight. Freight movement will remain central to economic activity and growth.

October 2007

Memorandum from the Railfreight Interchange Investment Group (RIIG) (FT 12)

The Railfreight Interchange Group (RIIG), a consortium of leading property developers (Burford, Helios, Kilbride, ProLogis and Shell) seeking to facilitate modal shift for freight traffic, through creation of Strategic Rail Freight Interchanges.

1. The arrival of the new administration in 1997 was followed by a number of major policy proposals by Government, not least the publication of *Sustainable Distribution—A Strategy in 1999*. For the first time, Government acknowledged the importance of the distribution industry to the wider UK economy and international trade, recognised that distribution is a significant sector of the economy in its own right, and applauded the UK distribution industry as being one of the most efficient in the world.

2. Sustainable Distribution also set out the commercial, operational and environmental challenges facing the industry and its customers, and proposed a raft of strategic initiatives to improve the sustainability of the industry in the post-Kyoto global economy.

3. Included in these initiatives were proposals to encourage greater modal shift of freight traffic from road to rail through transport and planning policy, and to develop a national policy on major freight interchanges, which recognised not only the importance of such facilities in distribution, but also the difficulty in securing their development.

4. Alongside Sustainable Distribution, the creation by the new administration of the Strategic Rail Authority finally saw a Government champion for rail freight, which was prepared to engage with industry, liaise with other Government departments and agencies and create an overall strategy for achieving rail freight growth.

5. As major suppliers of distribution facilities across Europe, we felt as others in the industry did at the time, that Government had finally woken up to distribution.

6. Yet in the years that followed this pioneering strategy document, much of the positive proposals have become watered-down or dissolved completely. The constant departmental changes over this time (DTp, DETR, DTLR, DfT) and the rise and fall of the SRA, reflects the Government’s struggle in recent years to deal with distribution issues in particular, and their inter-relationship with transport and land-use planning in general.

7. In responding to the Transport Committee’s examination of how successfully the Department is fulfilling its responsibility to facilitate free movement of goods while limiting harmful impacts, our fundamental concern remains the lack of co-ordination between Government departments on freight matters, not only between DCLG and DfT but also with others such as BERR or DEFRA.

8. In terms of specific responses to the questions raised by the Transport Committee, we make the following observations:

A. Is the Department’s investment in logistics programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?

9. Sustainable Distribution noted that the distribution industry accounts for nearly 10% of GDP and was valued in 1999 at £55 billion per annum. It also acknowledged the dominance of road haulage in distribution and its associated environmental impacts. The Eddington Report has since further highlighted the various impacts to UK plc and society of this dependence on road-based distribution, and how urgent action is needed in the transport sector to address inter alia increasing road congestion and climate change.

10. Against this background, an annual budget allocation for DfT of £31 million for freight programmes is woefully inadequate against the scale of distribution activity in the UK and the challenges that both Government and industry are seeking to respond to. To further set this in context, the Department’s annual budget allocation represents the amount that a developer might typically spend on infrastructure costs for a single distribution development.

11. This lack of resources is reflected in other areas of the Department’s work, where the proposed budget of £200 million for creation of a Strategic Freight Network (announced in the recent Rail White Paper), is again less than the total amount that a developer would typically invest in a single Strategic Rail Freight Interchange. We would welcome the Transport Committee’s views on how the DfT’s budget compares with those of other Western economies.

12. Whilst the Department is to be applauded for its work in trying to promote best practice in the freight industry and for using its limited resources to help promote sustainable distribution where it can (eg modal shift grants), the lack of an integrated freight strategy for DfT, or any real integration between Departments on development of freight policy, means that current efforts do little more than scratch the surface.

13. In parallel, and of equal frustration, is the inability of the private sector to commit investment in new distribution infrastructure, due to the vagaries of the planning process, which in some cases run counter to the objectives of transport policy.

B. International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements?

14. In creating conditions favourable to alternative modes to road haulage, there is a balance to be struck between “push” and “pull” incentives, whether by on the one hand increasing the relative costs of road haulage (eg road pricing, fuel duty, driver hour restrictions) and/or by reducing the relative costs of other modes (eg rail access charges, longer/bigger freight trains).

15. We maintain constant dialogue with major distribution operators and their customers, such as leading retailers, as well as with the rail and ports industry. Their undoubted desire to increase use of rail is not constrained by lack of freight grants, more by a lack of capability, whether for freight train paths, train length or loading gauge, or by a lack of suitable interchange facilities. Getting the customers closer to the rail network, to remove the intermediate road haulage and double-handling which exists at present, is seen as far more important than securing subsidies to mask otherwise inefficient operations.

16. Therefore, instead of “tinkering around the edges” with a constrained budget for promoting modal shift, our preference would be for the Department to focus on creating a suitable strategic network capability for other modes such as rail, which could then link mainland Europe and major ports of entry with inland interchanges.

17. As noted earlier, the allocation of £200 million to the Department to create a Strategic Freight Network simply will not provide the required network capability required by industry to achieve a step-change in modal shift to rail, whether in capacity, train length or loading gauge.

18. Furthermore, the Department is constrained in its ability to help the private sector make its own contribution, in terms of developing a network of ports and major inland interchanges to connect to this Strategic Freight Network. We have over £2 billion ready to commit to new interchanges, but the considerable costs, lead time and risks which we face through the planning system means that this investment is itself being constrained and delayed. If Government is serious in its policy objectives for rail freight, we would greatly welcome the Department being given greater responsibility and authority to support new private-sector port and interchange development.

C. Air freight in the South-East is forecast to grow from 2.2 million tonnes a year in 2003 to 14 million tonnes by 2030. Has the Department adequately planned for the capacity and access implications of this very significant growth? How will transport networks need to adjust to serve the growing air freight market?

19. It is unclear how far the Department has looked to rail as an alternative to air transport in the intra-European and domestic context, or as a complementary mode of transport to link in with global air freight to and from major UK airports. In recent years rail has provided express freight services able to operate at speeds of up to 110 mph, and the French postal service operates its own dedicated fleet of high-speed freight trains, derived from TGV technology, at speeds of up to 170 mph.

20. We have yet to identify any signs of interest or vision from the Department in developing better integrated air-rail connectivity for freight. Indeed, the failure of the proposed major rail freight interchange at Colnbrook to secure planning permission in 2001 (the “LIFE” scheme) is in stark contrast to the subsequent permission given to Heathrow Terminal 5 and the World Cargo Centre, the latter entirely without any provision for the level of rail freight access that LIFE was seeking to provide.

21. *Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote “free movement of goods”? How is this to be balanced with the Department’s other commitments? What should be the priorities for the Transport Innovation Fund productivity stream?*

22. Creation of a strategic infrastructure network for freight would, in our view, achieve a greater step-change in modal shift, than the current fragmented approach towards Government support for capital investment and operating subsidies.

23. We believe that the Department should be given more responsibility to not only develop an integrated, over-arching strategy for freight infrastructure, but then to drive its implementation through Government delivery agencies (eg the Highways Agency and Network Rail), and to support private sector investment in complementary infrastructure, whether in new ports, interchanges, toll roads or railway lines.

24. The Department should be tasked with co-ordinating with other Departments and agencies (not least DCLG) to ensure that such a strategic freight network, whether funded by public and/or private sectors, is acknowledged across Departments as being of national importance within transport and planning policy, to help speed up implementation and investment.

25. In terms of the Department's other commitments, we believe that creation of a national, multimodal strategic freight network should take priority over initiatives such as freight grants, and if necessary transfer funding from such programmes. In this regard, the Transport Innovation Fund (TIF) has been a welcome source of funding for new rail freight infrastructure projects, and could be used as the focus for investment in this strategic freight network.

D. How successfully has the Government influenced European negotiations regarding freight operations? How could the Government help to ensure a level playing field between UK and overseas freight companies?

26. There is no apparent evidence that the Government has had a significant influence on European freight operations, in particular to secure full interoperability with the mainland European rail network. Despite being one of Europe's largest economies, the UK rail network remains unable to carry high-cube swap bodies and piggyback trailers that can be carried across the rest of the mainland, due to the height (rather than width) restrictions of the UK rail loading gauge.

27. Again there is no evidence that the Government has sought to engage with or seek support from the European Commission to address this obstacle, which would permit a step-change in rail's addressable market. Instead, the UK has sought a derogation from European standards on railway interoperability, impacting on modal shift and connectivity with the mainland, placing the UK at a continued disadvantage for trade and inward investment.

E. How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries? Are the restrictions on night-time deliveries still appropriate? What impact would weakening the restrictions have on quality of life and other factors?

28. We believe that suitably resourced and managed, FQPs can help bridge the gap between public and private sectors, in promoting greater understanding of respective roles and constraints and achieving joint solutions. Indeed our major interchange projects include specific provision to contribute to local FQPs, in some cases beyond their existing budget allocations, to help integrate these new schemes into the local environment and achieve their objectives to promote sustainable distribution.

29. In terms of night-time deliveries, we believe it is time for a more pragmatic view, which not only reflects the improvements in vehicle technology, but also the significant benefits to distribution in particular, and the road network in general, which could be achieved by allowing more out-of-hours deliveries, particularly for premises with delivery facilities suitably screened from residential property. We believe it should be possible to achieve a balance between the type of vehicles permitted to deliver at night (eg smaller/low-noise/alternative-fuelled) and the hours and locations when such vehicles could operate.

F. How can the road safety record of haulage vehicles be improved?

30. Whilst we have no particular strength of opinion on this issue, suffice to say that improved enforcement (particularly on foreign vehicles) and training measures would help in this regard.

CONCLUDING REMARKS

31. Whilst Sustainable Distribution represented a laudable attempt by Government to move towards an integrated freight strategy, a new strategy is needed, which builds on Sustainable Distribution, addresses the issues raised by the recent Stern, Barker and Eddington reviews, and co-ordinates within and between Departments, to provide a clear vision and implementation strategy.

32. This new integrated approach should create a partnership between Government and industry, where Government provides leadership with a clear vision and direction for freight transport, backed by a properly-funded strategic national transport infrastructure network, to which industry can then respond by providing suitable access to this network through interchange facilities, and exploiting the opportunities for new multimodal transport services between these nodes across the national network.

October 2007

Memorandum from PD Ports Limited (FT 13)

BACKGROUND

PD Ports Limited (PDP) is the owner and major operator of the UK's second largest port, Teesport in the North East of England.

Teesport port handles freight only (ie no passenger movements), but has a throughput of ca 54 million tonnes of cargo and has approximately 6,000 ship movements per annum. PD Ports has land holdings of over 2,000 acres. This land includes areas adjacent to the River Tees and nearby coast line much of which is recovered or brownfield land with significant prior industrial use. 14 freight trains per day enter/leave Teesport carrying steel, potash and intermodal containers

As the competent harbour authority PD Ports also has considerable responsibility with regard to both the marine and coastline environment around the port and river Tees.

PD Ports has other UK ports and UK logistics related business interests in and around the Humber estuary, in Yorkshire & Lincolnshire, at Felixstowe and Cowes, on the Isle of Wight.

PD Ports is owned 100% by Babcock and Brown Infrastructure an Australian based and ASX quoted company that has significant other port business holdings in Australia and Europe in Spain, Belgium and Italy.

PD Ports is pleased to have the opportunity to input to the Committee's review of an integrated plan for freight. The following points are made in direct response to the questions posed in the announcement of the committee's review:

Q1: Is the Department's investment in logistics programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?

A1. There have been a series of apparent major changes to both the size and nature of investments made by the DfT over recent years such that it is very often most difficult for private sector concerns to feel confident that would be projects requiring possible external funding and investment will indeed ever receive practical help.

- For example, there are the CRNS, FFG and TIF (P) schemes, where the “tap” of available funds over recent years seems to have varied considerably and has only allowed short windows of opportunity to progress complex applications for relatively small overall amounts.
- Examples of our experience of this issue include:
 - A. PD Ports felt unable to progress any assistance for help with the opening of a new private rail line costing over £1.5 million in 2005–06.
 - B. PD Ports have seen only modest help for EWS with CRNS monies for switching container traffic flows from road to rail between Teesport and North West England (Manchester Trafford Park).

Q2: International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements?

A2. As the Committee may be aware, as the operator of a major regional port, PD Ports strongly believe that where possible, regional ports should be used to alleviate pressure on our busy road and rail network.

It is therefore a mistake to encourage and/or subsidise rail freight per se. Rail should be used only when it is better in terms of overall costs—both direct eg fuel and indirect eg in lower overall carbon (CO₂) emissions than other alternatives.

One of the main reasons regional ports have a role to play here, is that imported deep sea containers often arrive at Felixstowe and Southampton, even though more than 50% of them are destined for North of Birmingham. Therefore the use of long distance rail to transport goods from Southern ports to say Manchester, Leeds or central Scotland is actually far less desirable in terms of both cost and pollution, than using the sea to transport the containers—either through direct ship calls or via feeder vessels—to northern ports such as Liverpool or Teesport which are far closer to the final destination of such traffic.

On this basis, one way to encourage further efficiency improvements may be to actively support and promote the concept of port centric logistics. That is import centre warehouses located at UK ports around the country such that goods can be imported (and exported) through a port near to the place of ultimate consumption (or in the case of exports of origination). This will utilise available brownfield land at ports, save unnecessary road and or lorry miles within UK, reduce pollution and regenerate areas of significant labour surplus capacity such as at and around Teesport. The following case study provides an insight into how this approach has worked at Teesport.

Q3: *Air freight in the South-East is forecast to grow from 2.2 million tonnes a year in 2003 to 14 million tonnes. Has the Department adequately planned for the capacity and access implications of this very significant growth? How will transport networks need to adjust to serve the growing air freight market?*

A3. PD Ports do not feel qualified to comment on air freight.

Q4: *Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote "free movement of goods"? How is this to be balanced with the Department's other commitments? What should be the priorities for the Transport Innovation Fund productivity stream?*

A4. We support the proposals for joined up national policy statements as set out in the recent Planning White Paper and Eddington Report. If designed and administered correctly, such an approach should adequately help identify and tackle pinch points in the freight distribution network.

The TIF concept examines the cost/benefit of possible projects such as grants to help rail gauge enhancement based upon existing volumes and conventional solutions rather than examining prospective future flows.

However, if we are seeking a long-term change in the way UK infrastructure is used, we must recognise that a different approach (eg the development of ports outside of the South East, or road-pricing), needs to be considered.

On this basis, better use of ports outside of the South East which would see imported goods landed closer to their end destination point, could help relieve pressure on the over-crowded infrastructure in the South, thereby reducing the amount of upgrades needed to Southern road and rail infrastructure.

Q5: *How successfully has the Government influenced European negotiations regarding freight operations? How could the Government help to ensure a level playing field between UK and overseas freight companies?*

A5. There does not appear to be a level playing field across ports activities in the EU, because continental based major ports can receive federal and regional Government aid towards essential infrastructure. Thus, comparatively, the UK Government does not seem to have represented UK port interests especially well.

We believe continued dialogue between Government and major players through trade associations such as UKMPG and BPA, plus consultation with major private sector and trust ports, will help better inform and brief officials before negotiating.

Q6: *How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries? Are the restrictions on night-time deliveries still appropriate? What impact would weakening the restrictions have on quality of life and other factors?*

A6. The freight quality partnerships experienced by PD Ports, for example in the Tees Valley, have been satisfactory at dealing with a number of local and tactical issues such as truck stops, signage and provision, as well as agreeing and/or highlighting/communicating preferred freight routes.

The opening of night time delivery windows for commercial vehicles seems essential if we are to collectively tackle ever increasing congestion especially at peak commuter times. The use of night deliveries is an obvious and very successful way of better utilizing existing road capacity 24/7.

Q7: *How can the road safety record of haulage vehicles be improved?*

A7. Concerns about the adverse role of foreign based hauliers and owner drivers operating within the UK has long been raised. Foreign operators are subject to differential rates of fuel and vehicle duty/taxes and operating practices and commercial vehicle licensing regimes. Like many in our sector, we are keen to see greater enforcement of safe working practices in this area. See the Burns report for the FTA 2005–06 for more information.

CONCLUSION

PD Ports, and its daughter company PD Logistics, concludes that the priority for a better integrated freight logistics network should be to ensure that goods can be moved freely, reliably and efficiently around the UK, whilst minimising the impact of doing so by maximising the use of the UK's existing natural infrastructure, such as by using the sea and our coastal ports. This will help ensure that goods are landed as close to their ultimate destination as possible. We therefore need to have incentives to ensure that rail can be preferred over road for shorter inland legs, because the current conventional wisdom means that rail is often only viable over 150 miles.

October 2007

Memorandum from the Institution of Highways & Transportation (IHT) (FT 14)

1. The IHT, founded in 1930, has over 11,000 members concerned with the design, construction, maintenance and operation of transport systems and infrastructure across all transport modes in both the public and private.

2. The IHT welcomes the opportunity to give its views on the need for an overall integrated freight plan for the UK to guide and underpin investment by both the public and private sectors.

3 Passenger transport movement is largely determined by land use patterns and where people live, work and engage in activities such as shopping, recreation, education and so on. Similarly, freight transport movement is largely the result of the import or export of products, the locations of manufacturing activities, the places where products are sold or used, and the distribution system to move goods from ports or factories to the points of use or sale. This is referred to as the supply or logistics chain, and needs to be understood before an integrated freight plan could be developed.

4. Passenger transport in Britain depends mainly on privately owned cars operating on publicly provided roads, paying more than the cost of road construction and maintenance through various taxes. Collective passenger transport is a mixture of commercial and public provision, with a considerable element of subsidy. Freight transport also uses privately owned vehicles (trucks, ships, aircraft) using generally publicly provided infrastructure (roads, ports, airports), though most of the ports and airports are now at least operated commercially. However, the freight industry also has a massive private infrastructure of distribution centres and warehouses, that cost more than the vehicle element of the system to operate, and whose locations largely determine the pattern of road and rail freight movement. In addition, for freight there is no publicly subsidised collective movement system; the rail, sea and air freight operators are wholly commercial.

5. Of all the money spent on transport in the United Kingdom, 45% is spent on moving things (freight) rather than moving people. In 2005, road freight transport used 38% of the petroleum used by all road transport. In 2004 freight plus public transport ("light and heavy duty road transport vehicles") emitted 39.5% of all the CO₂ from road transport, 58.6% of the oxides of nitrogen and 52% of the particulate matter PM₁₀ (mainly from vans rather than heavy goods vehicles or buses).

6. Freight is a significant tax payer in the form of fuel duties, vehicle excise duties and profits taxation. More importantly, it is crucial to the functioning of the economy. Without freight transport, and particularly road freight transport, goods cannot reach shops, industry cannot function, fuel cannot get to garages, offices cannot receive supplies, mail cannot be delivered, and normal life cannot be maintained. This reinforces the significance of freight as an economic facilitator as well as an economic entity in its own right.

7. It is for these reasons that freight must be seen as part of a supply chain activity and not in isolation. It is an intimate and vital part of our core social activity and must be treated as such. The IHT believes that freight and supply chain issues have been badly understood and in many ways ignored by the professions—particularly transport planning and including IHT—dominated by passenger and car issues. Many freight operations ride "on the back of" car and passenger facilities and often struggle to perform at their best because of it.

8. The IHT considers that the best way forward is to encourage a better understanding of the issues of industry's supply chains and to educate transport and land use planners, local authorities and developers to enable them to plan for freight and provide the infrastructure, facilities and regulatory environment that enables freight to operate efficiently and with minimum impact on the environment. To assist this, in 2005 IHT, with the support of the Freight Transport Association, published guidelines "Moving freight—how to balance economy and the environment". These guidelines were supported by a number of regional workshops bringing together the professionals from industry and the planning sector. IHT intends freight to be a constant feature of its professional and educational focus.

9. Freight supply chains are multi-modal and concern road, rail, sea and air. The IHT's expertise is mainly concerned with road issues and therefore we will restrict our further comments to the road mode. The large majority of freight generators and attractors are served only, or most efficiently, by road, so almost all freight journeys include at least one stage by road.

10. About 84% of inland freight moves by road. Of road freight, the vast majority is moved in heavy goods vehicles, although light vans contribute about 68% of the vehicle km by goods vehicles. But the size of lorries (heavy goods vehicles) makes them very visible on the road. Naturally, therefore, people tend to see freight as just lorries and lorries as something to be controlled and regulated rather than helped and facilitated. Sadly this has too often been the position that the Department for Transport and its predecessors have taken. But we are pleased that following the Eddington Report, the Department has been reorganised with supply chain and logistics as a Board level responsibility for the first time. The title of the Directorate suggests that it is not just about the management and control of the safety of lorries. As professional planners, transport engineers and operators, we welcome this new approach, which we hope is a sign that the government is constructively planning for freight, the supply chain and lorries as part of an efficient, effective and competitive economy.

11. The following paragraphs address some of the specific questions asked by the Committee.

12. *Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote 'free movement of goods'? How is this to be balanced with the Department's other commitments?*

The first priority for the Department should be raising the awareness of transport planners and local authority staff to the requirements of the freight transport industry. It should disseminate guidance on planning for freight such as the IHT Guidelines "*Moving freight*" and the Freight Transport Association "*Designing for Deliveries*". An issue on priorities is how to maintain goods vehicle journey times as motorways and major cross-country roads become more congested. Work has already been done on possible truck and bus priority lanes, but no satisfactory solution has yet been found, and more work is needed.

The importance of maintaining average journey speeds for goods vehicles is that the network of distribution centres has been located on the basis of current journey times. Goods vehicle drivers' working hours are strictly limited, and even small increases in journey times could disrupt the functioning of the distribution network and impose disproportionate extra costs on industry.

13. *How could the Government help to ensure a level playing field between UK and overseas freight companies?*

Overseas freight transport operators benefit by fuelling at lower prices overseas before entering the UK, and for some countries, by operating vehicles on which lower annual vehicle taxes are paid than would be the case in Britain. There are other issues such as wage levels, but those are matters for the market.

The issue of fuel costs and vehicle taxes can be tackled, as it has been tackled in Germany, by the introduction of a lorry road charging system. This takes the place of fuel taxes, and charges heavy goods vehicles for use of roads (in Germany, motorways only). Operators can reclaim part of the tax on fuel purchased within the country against road charges that they have paid. This appears to be working well in Germany, and could prove to be the basis of a more general road use charging system, when there is political will to introduce such a system.

Issues over the qualification of foreign drivers and compliance with driving hours legislation needs to be approached through enforcement activities.

14. *How can the road safety record of haulage vehicles be improved?*

Because lorries are large in comparison with most other traffic they are perceived to be unsafe. In reality, heavy goods vehicles have the lowest rate of accident involvement of any class of vehicles on the road and their safety record is one of continuous improvement due to the unique combination of vehicle and driver licensing in GB. However, lorries are large, heavy and hard, and when hit by other vehicles, cause serious damage to the other vehicles and their occupants. Because of this, lorries are over-represented in fatal accidents, though often their responsibility is no greater than that of a tree hit by a motorist.

Much has already been done with rear and side under-run guards to protect motorists and cyclists from HGVs. Front under-run guards offer some protection in frontal collisions, and both front and rear under-run guards need to be energy-absorbing. More use could be made of retroreflective paint to make vehicles more visible at night. Intelligent transport systems are being introduced to warn drivers of vehicles, cyclists or pedestrians in blind spots. All these steps need to be encouraged.

There is a concern over the increasing numbers of foreign registered lorries operating in the UK. Unfortunately, some do not conform to our high domestic safety standards. Roadside checks by VOSA and the Highways Agency confirm the increasingly poor safety record of these vehicles. Estimates of the amount of goods vehicle traffic that is foreign vehicles are approximate, but it is likely that foreign registered vehicles contribute at least 10% of vehicle kilometres by the heaviest vehicles on our roads (five and six-axle articulated HGVs), and this proportion is increasing. We believe that more and more pervasive roadside checks is the single most effective action by which the already good safety record of lorries could be improved.

15. *How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries?*

Understanding freight and lorries not just in themselves but how they play their part in the supply chain is important for success in managing these issues effectively. This was the whole basis of the Freight Quality Partnerships initiative. Started originally by the FTA working with the Civic Trust, it put freight people, local planners and amenity groups in one room together. Their objective was to define ways of improving the environment that was within their powers, and not to prescribe things others should do. The FQP follow on has been really impressive by linking groups of well meaning people to work together for a common objective. Much been learnt and achieved, but their brief has been narrow and now it should be widened and supported more by central government. One of the key impediments to supply chain efficiency is the dominance of local curfews limiting both hours of operation of warehouses and delivery points. The Cabinet Office put a lot of work into this in 2006 but it needs both local and national vigour to achieve the result.

The root of this is good planning and good review of planning when conditions change. An example is the design of premises to receive lorries and allow deliveries to be made without blocking the road or other facilities. Understanding how lorries manoeuvre and the space they require to do it safely is another "black

art” that is poorly understood. The FTA for many years has made available design guidance for this purpose but although the DfT and the IHT commend it, its application is not universal and we still risk building new problems into our communities. Here too more confidence, understanding and rigour is called for.

16. *Are the restrictions on night-time deliveries still appropriate? What impact would weakening the restrictions have on quality of life and other factors?*

Lorries are much quieter than they used to be, and it would be sensible to review restrictions on night-time deliveries to determine whether they are still required. With increasing road congestion, road freight operators are increasingly using night-time for trunk movements, and for deliveries where this is possible. Reducing restrictions on night-time deliveries would reduce the number of lorries on roads and in towns at times when other road users are about, and should provide benefits for other road users as well as improved economic efficiency. Driver training and management are required to minimise nuisance from banging doors, radios, and so on.

17. Lorries are often perceived to form the majority of the traffic flow on motorways and trunk roads. This is not correct. Lorries rarely exceed 40% of the traffic stream and only then on our busiest motorways. Most of the time, lorries are less than 10% of traffic and in urban areas frequently much less. Lorry traffic on urban roads and minor rural roads has been falling since the 1980s.

18. We cannot refer to freight without mentioning vans. This is a rapidly growing sector of the market attracted by its relative lack of regulation and easy access. We know too little about this sector and how the use of vans is split between light goods movement and the provision of service van operation. This has been recognised by the CfIT and a special study is underway. Vans are important to our economy but we need to understand whether they need more regulation to maintain safety and if so what?

19. In summary, transport and land use planners, local authorities and property developers do not pay enough attention to freight transport, and do not provide the infrastructure, facilities and regulatory environment to enable freight to be moved efficiently and with minimum damage to the environment. We would like the Department for Transport to take the lead in increasing the awareness of these professionals to freight transport, and both IHT and FTA would be pleased to work with DfT to encourage this awareness.

20. The IHT would be happy to elaborate on any of the above if required.

October 2007

Memorandum from the Road Haulage Association (RHA) (FT 15)

UK FREIGHT INQUIRY

1. The Road Haulage Association is the main representative body for companies whose main business is providing haulage and related services. Our 9,500 members run 100,000 lorries and include owner-drivers, small and medium-sized fleets and large multi-depot operators. It is worth mentioning that our members pride themselves on providing an essential service in a manner that is efficient, flexible, responsive and recognised as probably the safest in Europe.

2. Thank you for your invitation to contribute to your inquiry into UK freight transport policy. This inquiry is most welcome. It comes at a time when there is a strong feeling within the road haulage and logistics sector that we need greater recognition at national and local level of the contribution the sector makes to the economy and that this should be recognised in areas such as planning and taxation.

EXECUTIVE SUMMARY

3. The Sustainable Distribution Fund is welcome but can be improved and developed. The inclusion of road haulage is a welcome recognition of the importance of the sector.

4. More work can and should be done to develop an integrated transport infrastructure, with each mode encouraged to be as efficient as possible.

5. The government engages well with Europe but has failed utterly to level the duty playing field, either by reducing UK duty levels or by persuading our EU partners to raise theirs. This remains a serious failure and handicap to the UK haulage sector, which is now being made worse by fuel duty increases.

6. Freight quality partnerships are a welcome innovation which has led to practical improvements and improved understanding, although stronger political will is needed to apply necessary but potentially unpopular measures. FQPs should be held when there are issues to discuss, rather for their own sake.

7. The UK haulage sector is not complacent but has perhaps the best record in Europe and is trending in the right direction, unlike overall UK accident statistics. Efforts to educate and to enforce the law in respect of foreign drivers must be maintained.

THE SUSTAINABLE DISTRIBUTION FUND

8. We welcome the Department for Transport's statement that its promotion of sustainable distribution of goods should move towards support according to outcomes achieved. The aim is to buy the benefits of reduced pollution and congestion and better safety rather than to promote certain modes of transport.

9. We welcome, too, the inclusion in recent years of programmes to promote efficient road haulage, both for the contribution made and for the recognition that road haulage is and most probably will remain the dominant mode of transport for the foreseeable future. At the RHA we have a saying: "Without trucks, you get nothing." This is true even where the road movement is linked to those of rail, air and water.

10. We are aware of some controversy surrounding the calculation of Sensitive Lorry Miles, which are often replaced by rail or waterborne transport, with some favouring a tonne/km calculation and others vehicle movements. In addition, we have concern over certain measures used by the Department, for example that of the increase in CO₂ generated by trucks over the past decade in the GB Freight Model. We believe it to be substantially inaccurate and are seeking clarification.

11. The RHA recognises the effective efforts made in the industry to ensure that an outstanding service is delivered efficiently and safely. The association supports measures to improve the professionalism, efficiency and safety of the road haulage sector—and has a number of services and training programmes that promote these skills and attitudes. The Freight Best Practice programme is a welcome initiative that makes available useful references for improving efficiency and fuel economy, although the navigation of the programme could be easier for operators. The RHA is pleased to be able to recommend it to members. We believe that there is much that could be done to develop the programme and we are seeking more dialogue with the Department on that.

12. The SAFED programme has been readily adopted and has re-enforced an existing culture of safety and fuel efficiency. For example, that the UK led Europe in the adoption of cab-roof and other aerodynamic aids, which have been adopted on continental Europe only relatively recently.

13. In terms of modal shift grants, especially to rail, we would like to see more effort towards making capacity available in practical terms to a wider section of the road haulage and distribution sector. We appreciate that this can be a difficult area, due to commercial sensitivities; however, it would be desirable for companies to see a mechanism whereby grants can be made available in smaller packets to those hauliers keen to consider rail as an option.

14. We see a paradox in the modal shift programme. The more lorry taxation is aligned to total cost of impacts on the road, congestion and the environment, the more expensive/marginal become the benefits of grant-assisted modal shift. We expect, nonetheless, to see continuing growth in rail freight.

INTEGRATED INFRASTRUCTURE

15. The development of an integrated transport infrastructure is to be welcomed and should be assisted by the Independent Planning Commission envisaged in the Planning White Paper published earlier this year. Thus, it is important to have not only ports with sufficient capacity to handle demand but appropriate road and rail infrastructure to take freight to and from those ports.

16. Transport infrastructure—be it road, rail or water-borne—suffers from opposition based from both local residents and, often more effectively, the perception of higher value for other industrial or housing development. It is important that a long-term, strategic view be adopted. There is scope for both rail and water-borne to increase their contribution.

FREIGHT QUALITY PARTNERSHIPS

17. RHA staff from our four regional offices are engaged directly in many of the country's freight quality partnerships and it is clear that some work well for the benefit of local authorities and the industry.

18. FQPs are a relatively new phenomenon. In many cases, they provide a valuable forum for an honest, informed and focussed discussion, for thrashing out local issues and keeping freight moving. They highlight at an early stage initiatives from local authorities that might have adverse affects that had not been realised. In this way, damaging decisions have been avoided. At the same time "quick wins" resolving practical issues can be identified and implemented.

19. Truck parking can be and is addressed at FQPs. This is an important issue, both locally and in a strategically and one of growing importance.

20. The FQPs would benefit from stronger political will and appreciation of the role of road haulage. For example, a study in Aberdeen demonstrated that allowing trucks into bus lanes would have no little or adverse affect on buses, would improve haulage efficiency and would reduce car congestion; and yet the proposal was rejected by the council because it was perceived as potentially unpopular.

21. We believe that FQPs should meet by exception rather than on a regular basis, regardless of the extent or urgency of issues to be discussed. We have experience of some FQPs “agenda hunting”; that is meeting without clear need. In such cases the impact has been for attendance to suffer and, on occasions, for the FQP to be wound up altogether. FQPs should tailor their activities according to need, adopting a “horses for courses” approach.

INFLUENCING EUROPE

22. We welcome the government’s close involvement in European freight negotiations; however has failed completely to ensure that the playing field between UK and foreign companies is level.

23. The significance of the fuel duty difference was recognised by Gordon Brown when Chancellor in 2001. He said he would correct this unfair tax disadvantage (and modernise road haulage taxation) with the lorry road user charge. Almost four years later, and after £40 million had been spent on consultancy fees, the project was abandoned as too expensive and too difficult. We are still waiting for a solution. Fuel duty was held until last November, but we are effectively back on the escalator, with above-inflation increases in fuel duty. The gap between the UK and the rest is widening. The association calculates that it now stands at somewhere between £13,700 and £15,600 for a typical articulated lorry on hire or reward haulage work. This difference is unsustainable by UK road hauliers and will continue to lead to a loss of jobs and work to foreign firms.

24. Solutions are available. One reason for the failure of the LRUC may be that it expanded in scope towards a demand management and enforcement project which went far beyond the aim of levelling the duty playing field. We have also proposed alternatives, including an increase in VAT and an essential user rebate.

25. The Department has an important role, we believe, in resisting European Commission proposals to liberalise the EU’s rules on cabotage. The RHA is in favour of a free market, all things being equal; but they are far from that, in terms of fuel duty, regulation and enforcement, all key areas in the commercial haulage sector.

26. The road haulage sector in the UK is, we believe, the best and most coherently regulated in the EU. For example, ours is the only industry that suspends, curtails and revokes licences of non-compliant operators. We therefore welcome the specific inclusion of these three terms in Article 21 or EU Regulation 561/2006 on drivers’ hours. The European Commission is to promote this culture in Europe and we would support the UK government’s contribution to that process.

27. We regret that the Department has been unable to stop the duplication of regulations inherent in the drivers’ hours and working time directives but welcome its input towards a common understanding and harmonised enforcement of the former, and UK guidance notes on the latter.

28. There is much talk, in the UK and elsewhere in the EU, about longer heavier vehicles, especially the 25.25m, 60 tonne European modular concept. The RHA’s view is that we need on-the-road tests of longer heavier vehicles to test their suitability for the UK roads and UK economy. We have members who can see economic benefits to their companies and to the UK as a whole, as well as gains in terms of the environment, congestion and road safety; and these benefits would accrue not only in terms of long distance but also relatively short hauls. We have other members who are more sceptical on some or all of these points. Nonetheless, we should not be left behind in the European debate and we need more information as to UK suitability. There is a negative view of what is perceived to be a knee-jerk reaction from rail freight interests keen to deny possible efficiency gains to what is the UK’s main freight transport mode, especially when there is strong focus on each mode paying its full costs. The two modes should seek optimum efficiency and safety—and seek to work together where possible.

IMPROVED ROAD SAFETY ROAD HAULAGE

29. The RHA targets many of its activities towards legal compliance, in which practical issues of safety are a key element, and driver assessment and development. These qualities are promoted through a variety of methods, including our national training service.

30. The road safety record of the UK fleet is outstanding in terms of European comparisons. In contrast to overall UK road injury statistics, those accidents involving lorries are trending in the right direction, according to the latest Department statistics. These are indicators of which the industry is rightly proud—and determined to improve further.

31. We feel that the contribution to road safety of the driver CPC requirements, which come into force in September 2009, will be significantly less in the UK than in many other EU countries, where the need for improvement is greater. There will, however, be a gain; perhaps this will be most marked in terms of safe loading, an issue which RHA’s training team stresses and which may cause accidents such as rollovers at roundabouts.

32. We welcome the increased education of foreign lorry drivers and the issuing of Fresnel mirrors, which we are told have dramatically reduced the number of side-swiping incidents; and the increased enforcement of haulage laws, especially those in respect of drivers’ hours.

33. There has been much concern expressed over the safety of cyclists in regard to lorries. We believe that driver education is important but that there is much greater gain to be had from educating cyclists in regard to turning circles.

34. There would be gains from educating the general motoring public about lorries and their characteristics. We would go further. We believe that the haulage industry has a core culture of safe and fuel-efficient driving that can translate to car drivers. Indeed, lorry drivers could be role models for motorists, due to their knowledge of their vehicles, road awareness and anticipation.

35. An increase in the 40 mph speed limit on some two-lane roads would improve road safety, by reducing the frustration on motorists and their temptation to overtake where it is dangerous to do so. This is a controversial proposal to some. However, we note that when the issue was debated at the Scottish parliament last year, there was almost unanimous support for a test, for example on the A9, and there were no dissenters from the idea.

36. Modern technology has the ability to monitor driver behaviour more closely than ever before, for example with respect to hard braking, acceleration and cornering. This technology should be more readily accessible. Also, new electronic stability control devices, most obviously for high trailer and tankers. These are relatively inexpensive to fit to modern trailers.

37. There is a need for more research into the causes of accidents, the better to inform management, training and enforcement efforts.

38. Road hauliers' customers have a role to play in road safety. The RHA is championing health and safety not only on the road but at customers' premises, where loading practices can on occasion mitigate against safe and legal loading. Also, the application of just-in-time principles by some major buyers of transport, who impose unnecessarily narrow delivery windows and heavy fines for not meeting these targets, puts unreasonable and "ungreen" pressure on drivers.

October 2007

Supplementary memorandum from the Road Haulage Association (FT 15A)

ENFORCEMENT OF FOREIGN VEHICLES

1. Thank you for the opportunity to give oral evidence to the committee's freight inquiry. You asked if we could provide more evidence in regard to enforcement of foreign trucks and the role of the graduated fixed penalty and deposit scheme and I have expanded on the subject.

2. The Graduated Fixed Penalty and Deposit Scheme, which would allow VOSA officers to issue fixed penalties and widen the scope of fixed penalties to include drivers' hour's offences, went to public consultation in July 2004: The Regulatory Impact Assessment stated that in 2003–04, VOSA prosecuted 8,000 cases containing 18,000 offences. "Of these, just seven cases with 10 offences involved foreign drivers. Foreign drivers are at least as likely to offend as their UK counterparts. However, in all but very rare cases where they provide a UK agent for the service of a summons, they cannot, in effect be prosecuted." (Annex A 10).

3. The RIA stated that the scheme would have no net costs for law-abiding operators or the government (Annex A 15). We assume, in the absence of a contrary assessment, that this remains the case. However, should extra funds be required, the RHA's view is that they should nonetheless be made available, both to level the enforcement playing field and to improve road safety.

4. The scheme would apply equally to UK and foreign operators and is seen as strengthening enforcement in relation to the domestic fleet, which is of course much more numerous, as well as the foreign visitors. However, British drivers and their operators for which they are driving can and are prosecuted now. Drivers and operators can also have their vocational driving and operating licences revoked—ie be thrown out of the industry. Those options are not available, for the most part, in respect of foreign trucks.

5. One of the main selling points of the scheme was indeed to level the enforcement playing field. This was clear in consultation between the trade associations and government officials; and in announcing the scheme, then-transport minister David Jamieson, launching the consultation, said: "The Government is keen to clear up the unfair situation where foreign hauliers can avoid paying a penalty by leaving the country. It is only right that foreign hauliers are treated the same as UK ones, particularly as UK drivers in Europe cannot escape penalties. I am aware that UK hauliers feel strongly on this matter and I want to make these changes as soon as possible" (our italics) (28 July 2004, Source DeHavilland).

Introduction of the scheme was originally hoped for by VOSA in early summer 2007—that is, one year after the enabling Road Safety Bill was substantially through Parliament and six months after it gained Royal Assent (in November 2006). In retrospect, it is clear that this was an optimistic timetable. However, 12 months from Royal Assent was a reasonable expectation. The publicly-disclosed timescale for delivering the scheme has repeatedly slipped and now stands at March 2009 at the earliest. This was confirmed to the

RHA after a report appeared on ROADTRANSPORT.com on 15 January 2008. "Department for Transport lawyers have confirmed it won't be before March 2009," the website report stated and VOSA confirmed that the report was accurate.

We note the parliamentary answer of logistics minister Jim Fitzpatrick on the subject on Monday 18 February (in reply to Jim Cunningham, (Coventry South)). Mr Fitzpatrick said that: "The Department is aiming to make all the necessary secondary legislation to implement these provisions as soon as possible". We welcome the indication of urgency and priority but we are concerned that no date has been given. Will introduction of the scheme be possible in 2009 . . . or will it be 2010 . . . ?

6. The RHA is aware that there are complexities in bringing forward the scheme. However, transport companies cannot understand why it will take almost five years from public consultation to delivering the scheme, perhaps more.

7. The announcement of the Chancellor, now Prime Minister, in the 2007 Budget that there would be 50,000 checks on foreign trucks during 2007 was welcome. But, as we mentioned in oral evidence, the sanctions available to VOSA in these checks are comparatively toothless, not least in relation to sanctions currently available in respect of UK operators. This fact is widely known within the industry.

8. A further parliamentary answer last week, Lord Bassam said that VOSA had detected more than 16,000 offences by foreign trucks (overloading, vehicle condition and drivers hours) in the past 12 months but that "There were very few prosecutions for these specific offences because it is not possible-either for VOSA or the police-to require non-UK residents to return to the UK to attend court on such matters. The introduction of graduated fixed penalties and deposits will, however, ensure that they do pay the relevant penalty." This reply echoes the 2004 consultation paper as highlighted in paragraph 2 of this evidence.

9. Impounding powers against foreign trucks are extremely limited. They relate only to the regular undertaking of domestic haulage work for which a UK O-licence would be required. VOSA can impound any truck—UK or non-UK—which does such work without an O-licence. Normally, the foreign operator is warned and the truck confiscated if he persists. Examples are extremely rare.

10. The main sanction available to enforcers is to require drivers to take statutory rest breaks when they are due or to require them to reduce the weight when overloaded or to rectify serious mechanical faults before continuing on their journey. No penalty sanction is normally imposed beyond these measures.

11. Offences, including serious offences, have been reported for many years to the National Regulatory Authority of the visiting haulier, but there is little or no evidence of significant action having been taken by the foreign authority. The UK is the only EU Member State that revokes "O" Licences, the International Road Union (IRU) has confirmed this to the RHA.

12. Police action against foreign operators remains at best patchy, with relatively few forces committed to significant policing of road haulage laws. The police are also reliant on the courts and our understanding is that they face very similar problems to those of VOSA.

13. Since giving our oral evidence, we have clarified the position of the police through ACPO. We are aware of strong, targeted action by particular police forces that has led to the jailing of a small number of foreign drivers and increased pressure specific foreign firms that have a record of frequent offending. The RHA welcomes and commends these actions by the police. However, these actions are localised and far from widespread and enforcement against foreign operators remains fundamentally weak.

February 2008

Memorandum from the United Kingdom Major Ports Group (UKMPG) (FT 16)

The UKMPG is the association which represents most of the major commercial ports in the UK. Our 9 members operate 41 ports which account for some 70% of the cargo passing through UK ports. The UK port sector as a whole handles 95% of UK international trade by volume.

UKMPG welcomes the Transport Committee's inquiry into freight transport. Freight transport is an important component of the country's distribution system and should play a vital role in ensuring that goods are delivered quickly and efficiently, at minimum cost and with as little adverse effect as possible on the environment.

Overall our view is that freight transport in the UK operates well and that the direction of Government policy for freight transport is correct. In particular it is right that freight transport should be allowed to operate commercially and be able to respond quickly to changing market signals. Regulation and subsidy should be kept to a minimum and only used where this is justified by wider policy objectives (eg safety and the environment).

However UKMPG considers that policy could be strengthened in two respects as set out below.

INFRASTRUCTURE PROVISION

The main weakness of current freight policy is the acute pressure on parts of the national road and rail infrastructure network. Congestion bottlenecks have an adverse effect on reliability and can hamper efficient operation at ports and other distribution terminals. The Eddington Transport Study published in December 2006 has recognised that key international gateways which are a strategic economic priority for the UK are showing signs of increasing congestion and unreliability. It is essential that the Department for Transport's response to the Eddington Review promised shortly addresses this aspect. UKMPG hopes that the Transport Committee will cover this important area in its review of freight transport.

A related issue is how transport infrastructure improvements should be financed. Over the last few years an expectation has been developing that ports with expansion proposals should pay all or most of the costs of improvements to inland transport links. This is inconsistent and unreasonable. Ports should only have to finance links within the port area. They should not have to pay for upgrades to main road and rail networks many miles from the port from which many other users will benefit; this should remain a public financing responsibility. Current practice puts UK ports at a financial disadvantage to continental ports which do not have to meet such costs. Some deep sea could desert the UK as a result and increase our dependence on transshipment traffic from ports such as Antwerp, Rotterdam and Hamburg. It could also result in port schemes not going ahead in the UK because international investment is redirected to high return schemes elsewhere.

MODAL SHIFT

UKMPG ports make extensive use of rail freight which can account for over 30% of traffic into and out of a port. Coal and container traffic are particularly well suited to transport by rail. Rail can also offer significant environmental benefits. UKMPG therefore welcomes the availability of grants under the sustainable distribution fund to switch traffic away from road where it would otherwise be uneconomic to do so and where real environmental benefits would be achieved. However it is important that such grants are short term, tightly controlled and closely monitored so that they do not become general operating subsidies which distort market competition. There would also be logic in extending the coverage of the sustainable development fund to coastal shipping from one UK port to another though again it will be important to ensure that there would be genuine and quantifiable benefits to the environment and no distortion of the market. The total amount of sustainable development fund support would also need to be increased so that there is no adverse effect on existing grant levels for rail and inland waterways.

INTEGRATED FREIGHT PLAN

UKMPG sees no particular benefit and some danger in the concept of a national integrated freight plan. This implies the Government second guessing the market and possibly also seeking to direct traffic. This risks creating inflexibilities and interfering with the commercial judgement of freight operators and others in the distribution chain and with operators' ability to respond quickly to market changes. On the other hand there would be benefit in setting out clearly and in one place the range of Government policies towards freight. Another important component would be the freight infrastructure aspects of the Government's forthcoming response to the priorities set out in the Eddington Review. The section on rail freight in the recent White Paper "*Delivering a Sustainable Railway*" is also relevant.

October 2007

Memorandum from Peel Ports (FT 17)

1. OVERVIEW—PEEL PORTS AND ASSOCIATED COMPANIES

1.1 *Peel Ports*

Peel Ports is the second largest port operating group in the UK. Peel Ports operate the Port of Liverpool and the Manchester Ship Canal, Clydeport, Medway Ports—Sheerness and Chatham—and the Port of Heysham. These ports handle more than 63 million tonnes per annum with Liverpool's throughput of 33.7 million tonnes, combining with that of the Canal of more than 7 million tonnes, representing the largest concentration of activity within the division.

1.2 The combined volumes of the Port of Liverpool and the Manchester Ship Canal are nearly 42 million tonnes of cargo. They are the most diverse range of cargoes compared to any other major Estuary other than the Thames in the UK. This volume of cargo generates 14,000 ship movements per annum.

1.3 Peel Holdings and Peel Ports are developing what is known as Port Salford; this is a 70 hectare intermodal terminal located alongside the Manchester Ship Canal and adjoins the M60 motorway near the Trafford Industrial Zone. This scheme, for which planning permission has been sought, will include a Railhead to handle 8 container trains per day as well as having quayside facilities to handle container barges and ships on the Canal. The project also includes the development of 500,000 sq ft of warehouse space. Port Salford is a unique concept in the UK and will make a major contribution to modal shift. In advance of Port Salford a container terminal at Irlam has been established to handle containers primarily shipped through the Port of Liverpool.

2. PEEL PORTS—CONTAINER SHIPPING DIVISION

2.1 Uniquely, the Peel Ports Group has a substantial involvement in container short sea and coastal shipping. Its shipping arm operates container vessels linking Liverpool and Cardiff with Dublin and Belfast as well as Rotterdam and Antwerp with Cork, Dublin and Belfast. In January 2007 the present Coastal Container Line service will be upgraded to connect Southampton, Liverpool, Glasgow, Dublin and Belfast. In addition we link Rotterdam and Antwerp to Grangemouth. This network handles 450,000 teus per annum serving door to door customers, as well as providing feeder capacity to deep sea container lines.

3. PEEL HOLDINGS—AIRPORTS, PROPERTY, ENERGY AND ECONOMIC REGENERATION

3.1 The other interests of Peel Holdings include operating airports in Liverpool—John Lennon Airport, Robin Hood Airport Doncaster Sheffield and Durham Tees Valley Airport. Collectively, the airports handle nearly 7 million passengers per annum, with JL Airport in Liverpool handling more than five million as one of the UK's fastest growing airports. Peel also has major property interests including the Trafford Centre in Manchester, an energy sector including renewable energy projects and a waste management division.

3.2 Through its diverse but complementary range of activities Peel Holdings plays a major role in economic regeneration especially in the regions. The net asset value of Peel Holdings is more than £5.6 billion.

4. SUBMISSION FROM PEEL PORTS

5. SUSTAINABLE DISTRIBUTION FUND

5.1 For an organisation like ourselves we find the process which governs the application and release of Funds from the SDF bureaucratic and time consuming. We believe the process itself is a disincentive to encourage modal shift.

5.2 Our view is that if a project clearly needs grant assistance, but is still in the early days of formation, then consideration could be given to applying for SDF finance. However, if the project is time constrained in terms of decision making then an application for grant aid would be discounted and it is in these situations that the opportunity for modal shift is potentially lost. In our response to the Port Policy Review we proposed that the distribution of freight facility grants etc. should be delegated to the regions who can more clearly see the benefit and impact of modal shift and should be given greater flexibility and accountability in the handling of these funds.

5.3 We would hope that our Port Salford Scheme is the type of project for which SDF funding would be available.

6. PROMOTING MODAL SHIFT

6.1 Again this goes back to the Government's Review of Port Policy. If regional ports were recognised by the Government as being instruments of modal shift then there would be far greater success in the transfer of cargo from road to water. The Port of Liverpool's immediate hinterland includes a population of nearly 6 million people, ie an area within 50 miles radius of Port of Liverpool. This region generates approximately 15% of UK container trade yet the Port today is handling an estimated 6% of UK container business. Therefore, there is tremendous opportunity to win back what should be Liverpool's business from its competitors in the South East of England especially following the unification of Port of Liverpool and the Manchester Ship Canal through the ownership by Peel Ports.

6.2 If we look at container trades over the last 17 years, there has been substantial growth in container volumes to ports in South East England. The Government has, in its own way, encouraged this expansion by the indirect subsidies it has given to southern ports through improvements in road and rail infrastructure connecting these ports into the national rail and motorway networks—This has created an "M25 effect" and led to a situation where the majority of container traffic generated by regions outside of the South East triangle is handled through South Coast ports.

6.3 By recognising the value and potential benefit of regional ports to offer modal shift opportunities to their immediate hinterlands, the imbalance of container trade in favour of South Coast ports would not be happening to the extent that applies today.

6.4 An example of how regional ports can play a role in modal shift is in the growth of transshipment. In the submission to the Government on its Port Policy Review it was indicated that the growth of transshipment of container trade into regional ports from the continent was to the disadvantage of the UK Port industry. It might be to the disadvantage of ports in South East of England, but it is not a disadvantage to industry in the Midlands and North of England who would take advantage of such shipping services to achieve a reduction in total door to door costs. Here in Liverpool, we handle 150,000 teus of cargo transhipped from Continental ports. If the two Shipping Lines operating feeder services into Liverpool had not taken the initiative to use the Port of Liverpool, then these 150,000 teus per annum would have been shipped through Felixstowe or Southampton to locations generally within a 50 miles radius of the Port of Liverpool. Therefore it can clearly be seen that the initiative of these two companies made a major contribution to modal shift, a reduction in carbon emissions as well as saving companies involved in international trade in the North West an estimated £200 per container move or £20m per annum.

6.5 Transshipping through regional ports is a win win situation. Today we have been improving on that situation as some of these containers which have been transhipped from continent ports into our own container terminal in Liverpool are being put in a barge to go along the Manchester Ship Canal in order to supply companies in the Manchester area. This is providing nearly an “all water” solution from the place of export to the place of consumption! This dedicated 160 teus capacity barge operation will be officially launched on the 18th October supported by the UK’s largest retailer and the world’s second largest container company and is known as the Liverpool to Manchester shuttle.

6.6 Finally another example of recognising the value of regional ports would be the case of the Port of Heysham. At Heysham there is continuing growth in Irish Sea RO/RO freight services. This has increased trade throughput encouraging Peel Ports to consider further investment in the Port.

6.7 However, this investment could be jeopardised unless road access from the Port to the M6 is improved. We strongly recommend that the M6 Heysham link scheme is given the go ahead. This scheme also promotes modal shift as increasingly shippers and hauliers want to use Heysham and the Port of Liverpool to serve the Irish market rather than use the longer truck driving ports at Holyhead or via the west coast Scottish ports.

7. PRIORITIES FOR TIF

7.1 We simply recommend that schemes promoted under the TIF initiative should be prioritised according to their impact on the regions out of London and establish those which could offer connectivity to road, rail and water infrastructure to encourage modal shift.

7.2 We are pleased that the Olive Mount Chord Project is a priority TIF scheme as it will significantly increase rail capacity into the Port of Liverpool which currently handles, on average, 15 freight trains a day moving four million tonnes of cargo by rail. This scheme will also significantly benefit passenger train capacity into Lime Street Station.

7.3 Finally, we would hope that the rail connection required for Port Salford could also be included in further TIF schemes or similar funding arrangements.

8. EUROPEAN COMPETITION

8.1 Ports in Europe enjoy substantial public sector financial assistance—so the hugely successful ports on the Continent such as Rotterdam, Antwerp and Hamburg all enjoy public sector financial intervention on the basis of how important their infrastructure is to their regional and national economies. The UK Government’s policy towards English ports is to obstruct public sector finance in assisting the development of infrastructure. However, recently the port facilities at Great Yarmouth have benefited from substantial EU assistance. This, we believe, has set a precedent and we would welcome confirmation from the Government that regional ports such as Liverpool which play a major role in economic regeneration in areas of high unemployment should benefit from financial assistance to bring forward schemes that would play their role in creating employment and offering opportunities for modal shift from road to water. What has been frustrating for us in Liverpool is that the EU has recognised Merseyside as an area of deprivation by granting it Objective 1 status yet one of the lead players in regeneration—the Port of Liverpool has not benefited from this funding—even though the Maritime sector of Merseyside is the largest outside of London and has a skill base and a range of activities to help in driving the Merseyside economy.

Memorandum from Transport for London (TfL) (FT 18)

1. INTRODUCTION

1.1 Transport for London (TfL) is the integrated body responsible for the Capital's transport system. Its role is to perform its statutory transport functions under the Greater London Authority Act 1999, which includes implementation of the Mayor's Transport Strategy and to manage transport services across London for which the Mayor is responsible.

1.2 TfL is accountable for both the planning and delivery of transport facilities, which enables it to take a truly integrated approach to how people, goods and services move around London.

1.3 A dedicated Freight Unit was established within TfL to promote the vital role that freight plays in sustaining London's position as a world-class city. The effective management of freight movements across the Capital is essential to the success of its economy.

1.4 Working in partnership with the freight industry, freight users, investors and regulators, TfL's Freight Unit aims to encourage best practice as its remit covers freight movement across all transport modes. In June 2006, TfL published for consultation the draft London Freight Plan which set out the vision for sustainable freight distribution in London. A revised Plan was developed following further discussions with the boroughs and the freight industry. *Sustainable Freight Distribution: a Plan for London* will be published shortly. It considers the need to improve the efficiency of the freight sector in the Capital at the same time as minimising its environmental and social impact.

1.5 TfL has recently published its Rail Freight Strategy, copies of which have been provided to the Committee. The Strategy aims to accommodate growth on the rail network in London from traditional rail freight sectors and stimulate new demand.

2. *Is the Department's Investment in Logistics Programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?*

2.1 Although we do not have access to benefit cost ratio information we can comment on two of the main elements of the Sustainable Distribution Fund:

2.2 Mode shift programme—In addition to modal shift, the Department should encourage investment in developing low carbon vehicle technologies and offer revenue support to enable the principle of urban consolidation centres—especially for construction materials and retail goods. We recognise that the recent announcement of £20m new Government funding by the Technology Strategy Board and the Department for Transport to support innovative UK companies taking forward low carbon vehicle research, development and demonstration projects goes some way to address this.

2.3 TfL's pilot London Construction Consolidation Centre (LCCC) is another good example of logistics sustainability. This two year pilot in Bermondsey which concluded in September 2007, enabled delivery of construction materials into one site and then taken as needed by consolidated lorry journeys to four major construction sites in the City of London. The LCCC achieved a 78% reduction of construction related traffic trips into central London with further reductions to network congestion and increased construction productivity and reliability with a 97% delivery in full and on time compared with the industry average of less than 50%.

2.4 Efficiency programme—TfL believes that to increase market uptake of efficient practices, schemes similar to TfL's Freight Operators Recognition Scheme (FORS)²⁷ should receive support at national level as these directly link the uptake of best practice with rewards and recognition.

2.5 Concentrating on enhancing operator efficiency by encouraging legal compliance, management or occupational road risk, Penalty Charge Notice reduction and fuel efficiency, TfL's Freight Operator Recognition Scheme offers its membership tiered levels of recognition. Legal compliance is the basis on which this scheme is built with an integrated mix of enforcement and education through the Metropolitan Police Services, Health & Safety Executive and Vehicle and Operator Services Agency.

2.6 Greater consideration of freight within the travel plan process for the design, construction and operational phases of every development will promote increased efficiency.

²⁷ The Freight Operator Recognition Scheme offers a tiered set of membership levels for freight operators to address fleet and freight vehicle operational efficiency, improving all areas of sustainable distribution to reduce CO₂ emissions, congestion, collisions and operator costs.

3. *International Distribution Patterns Involving Air Freight Increase Carbon Dioxide by up to 30 times that of Sea Transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements?*

3.1 The Department should ensure that local Planning Guidance actively encourages Developers to demonstrate that rail and water options (with especial regard to Thameside wharf facilities and inland waterways) are taken into consideration and reported on accordingly.

3.2 Speeding up the processes that enable planning decisions would facilitate private sector investment in large freight infrastructure projects like ports, wharves and rail freight terminals. These projects would benefit from inclusion within the scope of the “Infrastructure Planning Commission”.

It would help rail freight interchange projects if the Government updated the Strategic Rail Authority’s 2004 study of need for such interchanges, or at least further clarified its position on the demand for them.

3.3 The Mayor’s Climate Change Action Plan identified the need for a nationally integrated approach to the introduction of carbon pricing, which by better reflecting transport’s true social and environmental costs will help to promote modal change.

4. *Air freight in the South-East is forecast to grow from 2.2 million tonnes a year in 2003 to 14 million tonnes by 2030. Has the Department adequately planned for the capacity and access implications of this very significant growth? How will transport networks need to adjust to serve the growing air freight market?*

4.1 TfL maintains an active interest in the overall growth associated with the air freight market. However, the primary area of concern is the growth and sustainability in Heathrow’s air freight as it falls within the GLA’s boundaries.

4.2 The surface access implications for air freight are not particularly well understood. A DfT UK Air Freight Study estimated that road movements associated with freight activity in the Heathrow locality total between 1.6 million to 2 million trips annually.

4.3 TfL is proposing that, working in partnership with BAA, a survey is scoped to better collate and disseminate current data sets such as vehicle numbers, types, efficiency and origins and destinations. BAA is still considering whether to proceed with this survey.

4.4 Thought should be given to encouraging the transfer of air freight onto rail, for example by developing accessible terminal sites on the High Speed Line. Greater attention should also be paid to sustainable onward travel for air freight. This should include encouraging growth of air freight at locations where onward rail access is easiest to achieve.

5. *Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote “free movement of goods”? How is this to be balanced with the Department’s other commitments? What should be the priorities for the Transport Innovation Fund productivity stream?*

5.1 Rather than promote the “free movement of goods”, the Department should actively encourage, at a local level, the planning and delivery of an integrated infrastructure which would promote the “economically, socially and environmentally efficient movement of goods”. This should take place through the provision of shared-user facilities and rail freight terminals which offer significant potential for improved logistical efficiency.

5.2 Enabling local authorities’ access to development funds for these facilities as well as the power to place planning obligations upon developers to consider these facilities when presenting applications, and for subsequent site users to be required to use them, will go some considerable way to alleviate the burden of competing priorities placed upon the Department.

5.3 As previously mentioned, revenue support is necessary to enable the principle of urban consolidation centres—especially for construction materials and retail goods to enable the economically, socially and environmentally efficient movement of goods.

5.4 Such grants could be delivered using the Transport Innovation Fund stream or an expanded Freight Facilities Grant designed to cater for larger facilities, which would reduce the administrative burden of setting up a new scheme.

5.5 Another priority for the Fund’s consideration should be to increase the gauge of UK railways, which would enable rail freight to carry larger loads and therefore, to compete more effectively with road haulage. This would be particularly appropriate on the route section between Peterborough and Nuneaton. As it would then form a high-gauge alternative route between the Haven ports and the West Coast Main Line.

6. *How successfully has the Government influenced European negotiations regarding freight operations? How could the Government help ensure a level playing field between UK and overseas freight companies?*

6.1 We would like to see greater influence exerted in negotiations on cross-border enforcement and the perceived lack of progress on fuel duty standardisation in order to reduce/obviate UK inequalities and competitive advantages enjoyed by foreign-based operators.

7. *How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries?*

7.1 London's sub-regional Freight Quality Partnerships (FQPs) address local issues at the sub-regional level. TfL is supporting them with a range of tools to help them engage more effectively with boroughs, businesses and operators. In particular with:

- Freight Operator Recognition Scheme (FORS);
- Delivery and Servicing Plans;
- Construction Logistics Plans;
- Borough Toolkit and Freight Information Portal.

7.2 TfL can therefore demonstrate that London's FQPs are effective in improving the local experience of freight and deliveries and has robust mechanisms in place to ensure the continued effectiveness of these partnerships.

7.3 Further, the Local Implementation Plan Funding and Reporting Guidance emphasize the importance of delivering the Mayor's Transport Strategy and accordingly, London's FQPs have to demonstrate their contribution to TfL's Sustainable Freight progress measures.

7.4 In addition, Memoranda of Understanding between TfL and the FQPs actively encourage partnership working over the longer term and set-out in detail the roles and responsibilities of these partnerships.

8. *Are the restrictions on night-time deliveries still appropriate? What impact would weakening the restrictions have on quality of life and other factors?*

8.1 Freight vehicle restrictions need to balance the temporal, spatial, health and safety aspects for customer and deliverer as well as seeking to minimise "conflict" with the needs of neighbours and other road users.

8.2 TfL believes some restrictions based on the maximum permissible size of vehicle are appropriate for certain urban areas, (ie residential areas). Some of these restrictions should be 24/7, some for night time activity only. All need to be appropriate for the location and mix of users and take into account best practice in vehicle and building design.

8.3 Delivery by a range of low-carbon, appropriately sized vehicles at the correct time of day should be encouraged, including out-of-hours deliveries, as these will reduce CO₂ emissions, lessen road-user risks and minimise congestion.

9. *How can the road safety record of haulage vehicles be improved?*

9.1 We believe road safety improvements could be achieved by:

- Adopting a health and safety risk management approach with a package of measures for drivers, vehicles, routing, operators, transport planning, traffic and parking regulation, traffic management and enforcement, information and communication.
- Enabling clients to procure freight services from legally compliant operators meeting national standards which are being developed specifically for the Freight Operator Recognition Scheme.
- Improved driver and manager training which TfL's Freight Operator Recognition Scheme is developing in close collaboration with Skills for Logistics and Learning and Skills Council as an NVQ Level 2.
- Employing an integrated mix of enforcement and education. As demonstrated in London through the Commercial Vehicle Education Unit, part of our Freight Operator Recognition Scheme which has a unique combination of skills and powers from the Metropolitan Police Services; Health and Safety Executive and the Vehicle and Operator Services Agency—first highlighted in Point 2.5 above.
- Encouraging all freight operators to adopt TfL's initiative for back-of-lorry, self-adhesive safety notices reminding cyclists of the inadvisability of passing large goods vehicles on the inside.
- Actively encouraging all freight operators to adopt the principle of retro-fitting blind spot mirrors on their large goods vehicles rather than waiting to replace existing fleets with new lorries, which under current EU regulations, are fitted with a wide-angle blind spot mirror.

10. CONCLUSION

10.1 The success of London is dependent on the efficient movement of goods and services as well as people. The growth of London as set out in the Mayor's London Plan will lead to an increase in freight movement to construct, supply and service London's economy in a sustainable way.

10.2 TfL will soon publish *Sustainable Freight Distribution: a Plan for London*, which recognises the need to improve the efficiency of the freight sector while also reducing adverse environmental and social impacts of freight transport on London. The Plan clearly identifies the leading role that TfL must play. However such ambitions cannot be delivered by TfL alone—a partnership approach between TfL, the boroughs, the freight industry, Londoners and government is needed if London is to make a real and positive contribution to improving the lives of those who live, work and visit London.

October 2007

Memorandum from The Northern Way (FT 19)

THIS SUBMISSION

1.1 This submission to the Transport Committee's inquiry on freight transport has been prepared by the Northern Way. We focus on the Department for Transport's role in planning and delivering integrated infrastructure and use of the Transport Innovation Fund; and the role of the North's ports in sustainable freight distribution nationally.

THE NORTHERN WAY

1.2 The Northern Way is a Government-backed initiative, led by the three Northern Regional Development Agencies (North West Development Agency, One North East and Yorkshire Forward). Our goal is to bridge the £30bn annual economic output gap between the North and the English regional average by growing the North's economy faster.

THE NORTHERN WAY GROWTH STRATEGY

1.3 Published in 2004, the *Northern Way Growth Strategy Moving Forward: The Northern Way* set out how the Northern Way seeks to bridge the output gap. The Growth Strategy was developed to build on the North's three Regional Economic Strategies and Regional Spatial Strategies. It highlights transport as a priority area for transformational change. The importance of transport to the North's economic future was reaffirmed in the stocktake of the Northern Way's activity earlier this year and it is now one of the three areas that are the focus of Northern Way activity.

1.4 The Growth Strategy identified three transport investment priorities:

- to improve surface access to the North's airports;
- to improve access to the North's sea ports; and
- to improve links within and between the North's City Regions.

THE NORTHERN TRANSPORT COMPACT

1.5 The Northern Way Steering Group established the Northern Transport Compact to provide it with advice on transport priorities at the pan-northern level linked to productivity and the closing of the output gap. Chaired by Professor David Begg, the Compact includes RDA, Regional Assembly, City Regional, and private sector members from the North's three regions. The Compact has led the development of the Northern Way's Transport Strategic Direction and Priorities.

THE STRATEGIC DIRECTION FOR TRANSPORT

1.6 To support its September 2006 submission to the Comprehensive Spending Review (CSR), the Northern Way developed its Strategic Direction for Transport. This is an evidence-based assessment of the most appropriate transport interventions that will promote productivity gain, while at the same time seeking to protect and enhance the North's natural and built environment, and contributing to meeting the nation's commitments regarding climate change. Looking over a 20 to 30 year time horizon, it sits below the three high-level transport goals of the Growth Strategy and above the level of individual priority schemes and projects. The Strategic Direction sets out the types of interventions which will have a productivity impact, as well as where in the North those interventions will have the greatest impact. The importance of rail freight and, in particular, the growing inter-modal market is noted and the Strategic Direction supports the enhancement of rail access to and from the North's principal ports.

1.7 The Strategic Direction also highlights the finite capacity of the East Coast, West Coast and Midland Main Lines to cater for additional passenger and freight traffic and the need for additional capacity if the detrimental effect on productivity growth in the North is to be avoided once these lines reach capacity. It also highlights the need to resolve the issue of limited rail capacity for additional freight and passenger movements of the network in and around Central Manchester (the so-called Manchester Hub) and the importance to the North's economy of the trans-Pennine corridor, both for passengers and freight.

1.8 The Strategic Direction also notes the importance to the North's economy of the movement of goods by road. While accepting that some additional road capacity will be required, making best use of existing capacity through behavioural change and managing demand is at the heart of the Northern Way's approach. As part of this, the Northern Way has expressed a willingness to work with Government to investigate road user charging for the strategic road network on the basis that revenues are retained within the northern economy and it supports the North's productivity.

THE NORTHERN WAY'S SHORT, MEDIUM AND LONG TERM TRANSPORT PRIORITIES

1.9 As part of our September 2006 CSR submission we undertook to make a further submission to Government setting out our short, medium and long term priorities for investment in the North's transport system. This submission was made at the end of March 2007. What the Northern Way's prioritisation work shows is that while the transport proposals being pursued by stakeholders across the North will make worthwhile contributions to productivity growth, taken together they do not allow the Strategic Direction to be met. Consequently, if the North's productivity growth is to be maximised, the strategic "gaps" between what is currently being promoted and what the Strategic Direction suggests will be required need to be addressed. Gaps identified in the March 2007 submission include the absence of a medium to long term strategy for the enhancement of passenger and freight rail links between the North and London and the South East, as well as a long term strategy for the Manchester Hub in particular and for the trans Pennine network as a whole. We are therefore pleased by the Minister of State for Transport's 4th October announcement that in response to the Northern Way's work Network Rail will now study in detail how best to increase the number of trains that run through the Manchester Hub.

1.10 Our Priorities work has also considered what will be needed to enhance the North's strategic road network (with freight traffic being a key beneficiary). We agree with Eddington's conclusion that if road user charging is introduced road investment priorities will change. Notwithstanding this, with or without any charging proposals we have identified that investment will be needed in to improve port access (A63 Castle Street, A5036 Port of Liverpool access and A160/A180 upgrades on the South Humber Bank), as well as for a number of proposals targeted at addressing current congestion problems and where there is sub-standard provision on key links in the strategic network.

1.11 Details of our Priorities were published in September 2007.

THE NORTHERN WAY AND FREIGHT

1.12 Reflecting the Growth Strategy objective to promote access to the North's sea ports, the Northern Way has commissioned two pieces of work to develop the port-related evidence base. These are

- Evidence Based Review of the Growth Prospects of the Northern Ports, MDS Transmodal with Regeneris Consulting, January 2006

This work cemented the importance of Northern Ports for the Northern Way by assessing their economic footprint and using established models to forecast inter-modal port throughput in a number of scenarios. The work informed the Northern Way's response to the Port Policy Review, as well as the development of our Strategic Direction and Prioritisation work. It recommended more detailed assessment of costs and benefits of gauge and capacity enhancements for freight on the trans-Pennine rail routes and from the North to the Midlands.

- *Northern Rail Routes: Demand Study*, Steer Davies Gleave, to be published Autumn 2007.

This work is taking forward the recommendations of the MDS Transmodal-led study and is producing demand scenarios for inter-modal rail traffic to and from the main Northern ports to inform Network Rail's on-going option and business case development processes for gauge-cleared routes on the East Coast Main Line north of Doncaster into Scotland; between Teesport and the Humber Ports and the East and West Midlands; as well as a route across the Pennines to the Mersey.

1.13 Our evidence demonstrates national competitiveness and sustainable freight distribution benefits arising from the growth of northern ports as well as benefits for northern economic growth. We are strongly supportive of a market-led policy approach with public sector intervention focused particularly on priorities for surface access improvements to northern ports.

1.14 The Northern Way with the Highway Agency has also undertaken as a case study pre-feasibility work to assess the degree to which active traffic management approaches can be applied to the M62. This Route Action Plan work has demonstrated that the benefits of such proposals can be significant, but so is

their cost. Importantly the work has also shown that the benefits of such an approach are time-bound, and so while beneficial do not provide a solution that is sustainable in the long term. We are currently preparing further evidence on the impact of traffic growth on the performance of the North's strategic road network.

THE NORTHERN WAY "EARLY WIN" INVESTMENTS

1.15 Through its Growth Fund, the Northern Way is co-funding a number of early win freight-related rail projects. These are:

- The reinstatement of the Olive Mount Chord and gauge enhancement of the Runcorn route to the West Coast Main Line (WCML) which will improve rail access of the Port of Liverpool. A Productivity TIF-funded project awaiting final approval will add a gauge-cleared route to the WCML via Earlestown.
- Capacity enhancements on the Hull Docks Branch Line. The Northern Way has also actively supported wider Productivity TIF-funded proposals waiting final approval to enhance rail access to the South Humber bank ports.

1.16 We are concerned at the time that it is taking to consider and then approve the Productivity TIF elements, especially considering that in the overall scale of rail expenditure these are not major enhancements.

1.17 The Northern Way is also co-funding Network Rail's on-going work to develop the options and business case for gauge-cleared routes between Teesport and the Humber Ports and the East and West Midlands, and across the Pennines to the Mersey, to which we have already referred.

NORTHERN PORTS

1.18 The North's ports are important contributors to accelerated growth. This is because of the direct employment opportunities they bring, the opportunities that they create for value-added employment along the supply chain and because of their importance in facilitating imports and exports for the North's businesses and industries and other parts of the UK, in a way that is both economically efficient and more environmentally sustainable than the southern alternatives. As well as the potential for port growth, northern ports can also offer the physical space for port-related developments that is not so easily achieved in the Greater South East.

1.19 In terms of tonnes lifted, the Humber Ports are the largest port complex in the UK and include the UK's largest individual port at Grimsby and Immingham. The Tees ports are the second largest in the UK and the Mersey ports are sixth. The Northern ports are national assets. The Mersey ports are the principal gateway for short-sea shipping to Ireland and deep sea shipping to North America. The Tees and Humber ports are best located to serve the Scandinavian, Baltic and North European markets. The hinterland of the North's ports extends well beyond the North into the Midlands and Scotland, and into the South East for some traffic.

1.20 Together the North's ports cater for nearly 34% of the tonnes handled at all UK ports. Over the last decade the North's ports have grown faster than those in the South and consequently their market share has increased (from under 30% in 1994). This growth has occurred because of a number of factors. These include economic growth in the North, available capacity at the northern ports and a relatively uncongested hinterland transport network, as well as surface access congestion in the South East. Significantly, land is also available to support expansion of northern port capacity and related business uses and the planning climate is conducive to their further development. These factors, combined with growing market potential, have resulted in the northern ports' owners bringing forward significant proposals. In recent years, for example, Humber International Terminal 2 at Immingham became operational in 2006, the Hull Container Terminal attained Harbour Orders in 2005, the Port of Liverpool's deep sea facility at Seaforth attained Orders in May 2007, and PD Teesport's proposals for a deep-sea facility have local authority planning approval and are awaiting the Secretary of State's decision on the Harbour Orders. The Northern Way has identified that as well as bringing direct and indirect economic benefits through increased employment, there is also substantial potential for business and wider competitiveness benefits too. This is also reflected in Department for Transport's evidence that nearly 30% of GDP nationally derives from international trade.

1.21 Given the importance of ports, an analysis of the potential for unitised traffic through Northern Ports under different scenarios was undertaken as part of the MDS Transmodal study for the Northern Way. MDS Transmodal utilised the same forecasting models as applied to produce the DfT forecasts for the Ports Policy review. The Northern Way forecasts' trend scenario (in effect, the base case) represents growth broadly in line with DfT forecasts. However when alternative future scenarios are considered, growth at the northern ports begins to assume different proportions of the total market than that put forward by the DfT. In a scenario of increasing surface access user costs around South East ports, additional capacity at northern ports, and in due course the potential introduction of road user charging, the North further increases trend growth.

1.22 The modelling based on the “Trend Plus” scenario (which assumes construction of two of the three now approved deep sea facilities in the South East and increasing congestion in the South East but no additional deep sea capacity in the north) suggests that by 2020 the North could aim for a 50% increase in market share in the deep sea lo-lo market between 2003 (the base year for modelling) and 2020 and a 20% increase in its current market share in the short sea unit load market. The introduction of road user charging further emphasises the growth in market share. The addition of new deep sea facilities in the North at Liverpool and on the Tees further enhances this pattern of growth, as would constraints in capacity in the South East.

1.23 The key conclusions from our analysis are that:

- In general terms measures which increase traffic through northern ports can play an important role in improving Britain’s overall transport infrastructure, enhancing business competitiveness nationally.
- More specifically the analysis demonstrates the potential of the northern ports to play a crucial role in the achievement of a more environmentally sustainable freight distribution network nationally, by reducing total goods-vehicle kilometres. The growth of short sea ro-ro traffic through northern ports is likely to lead to significant reductions in HGV kilometres on the national road network overall, reducing congestion in the South and Midlands. This is also the case for the deep sea lo-lo market as long as deep sea container port development is accompanied by rail distribution inland.

We also recognise a number of potential downsides, which need to be kept in mind:

- whilst the environmental impact nationally is positive, overall it will lead to increased traffic on northern road and rail networks;
- it might be also associated by increased transport costs if this switch in traffic is associated with road user charging. But, in these circumstances industry would benefit from greater journey time reliability and reduced generalised costs of freight distribution due to reduction in congestion;
- The growth of ports will provide economic benefits for the North.

1.24 Therefore, while we recognise that the DfT forecasts do not seek to predetermine where growth should be, we consider that the DfT’s forecasts do not reflect adequately constraints in the South (particularly congestion), the growth potential of the northern ports in terms of land supply, labour supply and their relatively uncongested surface access networks, potential policy development such as road pricing and importantly, the known views of the shipping industry on these issues.

THE STRATEGIC ROAD NETWORK

1.25 Both the Eddington Transport Study and our own work developing the Northern Way’s Strategic Direction highlight the importance of the strategic road network for the movement of goods. As already noted, our prioritisation work highlights the importance of three proposals to enhance strategic roads that will directly benefit port-related goods traffic. Currently DfT’s expectation is these three schemes will be funded via Regional Funding Allocations. Given the position that we and Eddington have reached on such proposals and that the purpose of the productivity Transport Innovation Fund is to support national economic growth, we suggest that they should be considered at least for part-funding from productivity TIF.

A RAIL STRATEGIC FREIGHT NETWORK

1.26 The Northern Way welcomes the Government’s commitment in the Rail White Paper to develop a national Strategic Freight Network on the basis that it will include gauge-cleared lines and take full account of the business case work that is being undertaken by Network Rail in association with the Northern Way. Delivery of the Strategic Freight Network should be one of the priorities for the Productivity Transport Innovation Fund.

1.27 Already the West Coast Main Line is gauge-cleared to W10 and on-going work supported by the Northern Way will link in the Port of Liverpool. Equivalent routes on the east side of the country and across the Pennines are now needed. The emerging findings of our market demand study is showing the strong potential demand for inter-modal traffic from the Tees and Humber ports to the East and West Midlands. In response to the East Coast Main Line Route Utilisation Strategy the Northern Way has encouraged Network Rail to investigate the creation of a new W10 route using the Felixstowe to Nuneaton route, gauge enhanced to connect across to the Midland Main Line at Syston from which a gauge enhanced route to Yorkshire could be fashioned. If this route also is to carry Haven Ports traffic, the case for gauge enhancement currently being considered by the Northern Way with Network Rail as a northern ports-alone issue could be very much stronger. Our work is also contributing to Network Rail’s on-going consideration of trans-Pennine gauge enhancement options.

Memorandum from the Channel Corridor Partnership (CCP) (FT 20)

INTRODUCTION

1. The importance of the freight industry for the economic competitiveness of UK plc cannot be underestimated. Freight logistics has resulted in a greater flow and accessibility of goods and services, both nationally and globally and is fundamental in modern business techniques. But the evolution of, and demand for, on-time freight and distribution infrastructure is a double-edged sword; freight activities are responsible for causing environmental problems such as pollution; social distress during congestions and even fatalities in accidents

2. Here in Kent this “freight evolution” can be witnessed daily. Kent’s proximity to mainland Europe provides the shortest and most cost effective means for the movement of freight. Ever increasing demands on local infrastructure and its current inadequacy to cope with peak traffic flows and disruptions to Port and Tunnel operations has provided the public sector with a unique number of issues to address.

3. This submission on behalf of the Channel Corridor Partnership highlights the scale of the complex problems faced by authorities in Kent, leading us to advocate that Kent should be on the National/European transport agenda as a strategic priority.

UK ECONOMIC AND FREIGHT TRENDS

4. 60% of goods imported into the UK enter via the Port of Dover and Eurotunnel, equivalent to 4,000,000 HGVs travelling through Kent in 2006.

5. In general terms, and for basic reasons of geography and cost, Ro-Ro traffic growth is likely to continue to be strongly concentrated in the South of England. This view is supported by the Department of Transport’s discussion document on the *Ports Policy Review* (May 06) which in its own Central Forecast provided a growth figure for unitised traffic (which includes the Channel Tunnel) of Average Annual Growth of 3.09%.

6. The Ports Policy document also states that “demand for Ro-Ro is expected to grow strongly. The impact in absolute terms is likely—for obvious geographical reasons—to continue to be strongly concentrated in the south of England: the main concentration is through Dover; but also at Portsmouth and elsewhere. There are obviously potential implications for road congestion and pollution in the hinterlands of the Ro-Ro ports, which need to be carefully considered.”

7. This analysis adds weight to the argument that the Greater South East of England will continue to partake more in absolute terms than any other area from the likely increase in ports traffic, although unitised traffic is projected to grow proportionately strongly in all regions. However, industry specialists such as MDS Transmodal Ltd recognise that increasing road and rail congestion may dampen down some of this growth.

8. Crucially the Port of Dover Masterplan, a proposed expansion of the port to provide more berths for larger and faster craft, is predicated on growth figures as outlined in the table provided below. This suggests that all forms of cross-channel traffic will grow but that Freight HGV traffic will double at Dover between 2006 and 2034.

Trade Sector		2006	2014	2024	2034
Freight Vehicles	Million units	2.3	2.75	3.52–3.92	3.72–4.52
Tourist Vehicles (cars and coaches)	Million units	2.7	2.75	2.9	3.1
Passengers	Million	13.7	14.2–14.6	14.7–15.5	15.5–16.4
Cruise	Calls	136	140	180–190	200–250
<hr/>					
Fresh Produce	000 tonnes		200	Rising to 350–400	
Aggregates	000 tonnes		190	Within the 200–250 range	

Source Dover Port News February 2007.

 THE CHANNEL CORRIDOR PARTNERSHIP

9. The objective of the Channel Corridor Partnership is very simple—we aim to “Keep the Gateway Open”, and maintain its status as the “Gateway” rather than “The Bottleneck to Europe”. We summarise this into a simple slogan—maximise flow, minimise impact’. We believe that this will require solutions and funding at a National/ European level. EU policy is that no one member state should fund infrastructure requirements to eradicate bottlenecks where many member states benefit. We believe that this policy should apply here in East and South Kent, so that no one local authority is expected to finance solutions to an issue that benefits all of the UK economy.

10. “Maximising flow, minimising impact,” falls broadly into 3 themes requiring UK Government policy recognition;

- Access and Egress to the Port of Dover
- Safe and Secure off road parking
- An off-road area for the implementation of Operation Stack

ACCESS AND EGRESS TO THE PORT OF DOVER

11. Part of the second headline recommendation of The Eddington Transport Study (December 2006) is: “Maintaining or improving the performance of the UK’s key international gateways. Specifically: roll on roll off ports that support a high level of freight usage and are showing signs of congestion and unreliability. This focus should incorporate surface access routes to these gateways, again where such links are showing signs of congestion and unreliability”.

12. The M20 is the National Strategic Route for Freight and identified as a Trans-national European Route by the EU. Highways Agency policy is to direct port traffic via the M20 because A2/M2 infrastructure is already considered inadequate for the combined impact of Thames Gateway and the European “Gateway” traffic.

13. But it is recognised locally that the two main roads that lead to the Port of Dover, the M20/A20 route and M2/A2 route just about manage to cope on a day-to-day basis with current vehicle volumes, which peak at around 11,000 HGVs a day.

14. The daily rush hour in the evening sees commuter traffic mixing with port traffic to exit the town of Dover creating a tail-back of road freight, tourist vehicles and local commuter vehicles that block roundabouts accessing the town and the roundabout that directly accesses the Port. This leads to vehicles trying to leave the Port being blocked back into unloading areas which means that there can be occasions when the Ro-Ro ferry operators cannot unload effectively and efficiently which compounds the delay in loading vehicles bound for mainland Europe.

15. There is a proposal to improve the exit road from the Port of Dover to the A20 and install “rush hour” traffic signals on the roundabouts of the A20. Further road improvements will also be required to support the Port of Dover in delivering their £300 million Development Plan to increase port capacity.

16. When the port of Dover’s terminal 2 opens for business in 2013 external infrastructure improvements must be in place to maximise on this investment. The new Western Docks development proposed in the DHB Masterplan can be served by the M20/A20 route while traffic for the Eastern Docks could be directed via the A2/M2/A2. But at the moment the A2/M2 route is inadequate to take the HGV traffic for the Port. We would strongly recommend upgrading the A2 from Brenley Corner to the Port of Dover so that East Kent is not disadvantaged by the Highway’s Agency policy on only using the M20, and that the M2/A2 can complement the Port of Dover’s Masterplan.

17. To raise awareness of the issues surrounding Kent, the Channel Corridor Partnership and Calais Chamber of Commerce and Industry on 25 June 2007 made a submission to the European Commissions as part of DGTren’s Freight Transport Logistics Bottlenecks Exercise (EU Transport White paper 2005) highlighting the operational and infrastructure bottleneck affecting the Port of Dover and it’s knock on effect for the rest of the sub region, the UK and Europe.

18. It is our view that implementing the Eddington Transport Study recommendations are fundamental to achieving our freight vision of “Maximising Flow, Minimising Impact”.

SAFE AND SECURE OFF-ROAD HGV PARKING

19. Delays and lack of suitable facilities can cause uncertainty for truck drivers who need to plan where they can stop to comply with European legislation for mandatory rest periods. Ideally they would like to park in a safe and secure place but may be forced to park in an unsafe place where they could become a victim of vehicle and driver crime. Faber Maunsell (July 05) report that up to 2,000 vehicles park in illegal/non-secure parking areas each night in East Kent.

20. The HA response to receiving expressions of concern about lorries parking in inappropriate locations was to publish the Truck Stop Guide 2006 (as part of a European wide initiative) to provide information on the location of truck stops. This guide states that the total provision for the South of England is

approximately 2,250 serving the ports of Felixstowe, Harwich, Southampton, Sheerness, Tilbury, as well as the Port of Dover and Eurotunnel. Kent alone could fill the whole of the South of England provision to cope with the current number of lorries parked up in inappropriate places in Kent every night.

21. The HA policy of leaving the private sector to provide new facilities for HGV's and PSV's on the all-purpose truck road network is clearly a commercial failure and, in our view, requires a rethink. We believe that a public/private sector partnership approach is required to tackle the twin requirements of allocating and owning land and providing appropriate commercial services such as toilets, showers, refreshments and other services. Public Authorities are responsible for expenditure to mitigate the damage caused to the physical environment, the cost of policing "anti-social activities", daily congestion, environmental pollution and the cost to local communities facing the nightly invasion of inappropriately parked HGV's. Providing safe and secure lorry-parking can be seen as cost-effective for the public sector.

22. Finding and funding sites is fundamental to delivering the European, UK and Local Government transport agenda, as well as improving the quality of life of communities, sitting along significant freight routes, who are badly affected by this aspect of the road freight industry. Employment land allocations in Local Plans and Local Development frameworks are required for community needs, providing local employment opportunities and for the business sector inward investment and expansion opportunities. HGV parks are land hungry and create few permanent jobs; Ashford Truckstop has 300 HGV spaces and employs 40 people either directly or indirectly. To not set aside land to meet this real need encourages illegal parking and passes on the problem to neighbouring authorities.

23. A sea change in planning policy is therefore required with HGV parks being given a planning use designation that does not disadvantage employment land allocation targets.

24. The HA in partnership with other Government Departments who have a vested interest in freight transport, must develop a strategic approach to the provision of off road HGV/PSV facilities to reflect the travel patterns of the road freight industry pan Europe.

25. Two current EU investigations highlight the fact that this lack of safe and secure provision is not unique to East Kent or to the UK;

- (a) SETPOS is a pilot project launched in June 2007 involving 5 member states including Ashford Truckstop. It is investigating the provision of lorry-parking on the TENs Network and developing an accreditation system to identify freight industry recognised "safe off road parking locations".
- (b) A European Parliamentary investigation entitled "*Organised theft of commercial vehicles and their loads in the European Union*" was published in July 2007. It highlighted the A20/M20 as a freight crime "hotspot". Similar "hot spots" in Germany, Netherlands and to a lesser extent in the Czech Republic and Slovenia were also identified.

OPERATION STACK

26. Operation Stack is implemented when freight operations across the Channel are disrupted, and subsequently lorries are parked in queues on various sections of the M20 Motorway on a phased basis, whilst local traffic is diverted onto "A" roads. Between 1996 and 2004 Operation Stack was implemented 92 times. 85% of Operation Stack implementations are caused by inclement weather not French industrial action as is often believed by the Media and/or local residents.

27. As part of a study by the Channel Corridor Partnership into the impact of Operation Stack (February 2007) it was shown that drivers find it quicker to sit and wait (on average up to 6 hours) in the queue rather than divert to another port. Hauliers are also unlikely to change their Port of choice as the Calais/Dover route will always be the shortest, most economic crossing between the UK and mainland Europe and many hauliers have accounts with more than one ferry company as well as Eurotunnel.

28. Further wide spread disruption in 2007 combined with a campaign to "take stack off the road" spearheaded by the Channel Corridor Partnership, Local Authorities, Kent County Council and the media, culminated in June 2007 with the then Secretary of State for Transport, Dr Stephen Ladyman announcing the funding of the Quick-change Movable Barrier (QMB). This is a traffic management system for "Operation Stack" Phase 1 between Junctions 11 and 12 of the M20 at an estimated cost of £12m. He also stated that the Government remains committed to a long-term off-road solution.

29. The Channel Corridor Partnership would expect the Transport Select Committee to recommend that this be embedded in UK Government policy irrespective of the findings of the current Highways Agency investigation into the business case for such a solution.

ADDITIONAL COMMENTS FOR CONSIDERATION

30. Alternatives to road freight, air rail and short sea will realistically make little impact on the numbers of lorries passing through Kent.

31. Freight Quality Partnerships require the ability to deliver solutions otherwise they become a lobbying and consultative group. The solutions needed to resolve the above problems require input at a much higher level to be successful.

32. The European Commission has accepted that the above problems exist in a number of member states. The Channel Corridor Partnership is unaware of any Departmental initiative at a European level to secure solutions.

33. Improving the road safety record of haulage vehicles can in part be achieved through the provision of adequate off road safe and secure rest areas for day as well as overnight. This will enable drivers a proper rest without having to worry about personal safety and load security. It would also provide VOSA with sufficient space to conduct safety checks, raise awareness of safety issues with drivers and promote safe practises etc. Ashford Truck Stop currently provides this for VOSA.

34. The upgrading of the A2 has been proposed for the last 15 to 20 years. Improvements to the A20 in Dover have been the subject of numerous inter-agency discussions. There are currently no plans for off road HGV parking despite the 2,000-space shortfall, no plans to upgrade the A2 and no funded solution for an off road Emergency Marshalling Area for "Operation Stack". This is despite many Government Agency consultations, investigations and reports.

35. Solutions cannot be delivered at a local level using local resources. Locally everybody is aware of what the problems are and what is required to resolve them. They are not new. But the solutions—land, infrastructure and planning are resource and investment intensive.

36. Clearly there is an urgent need for an Integrated Freight Management Strategy for Kent and in our view if this strategy is to include delivering realistic solutions it will need buying into at the highest level in the UK and Europe. This can only be achieved through the Department taking responsibility for developing and delivering a realistic Integrated Freight Transport Strategy.

37. To date there is little evidence of the Department facilitating the "free movement of goods and services" that underpins the Maastricht Treaty. This lack of "free movement" is most apparent during the peak freight movements between Tuesdays and Thursdays for vehicles exiting the UK via Eurotunnel and the Port of Dover when tail-backs and queues are expected, and circumnavigated by locals.

38. The UK financial burden for delivering solutions to the issues raised above can be minimised in two ways. Major projects to improve traffic flows have consequences that are far wider than the limits of national frontiers. It is hardly credible to expect that individual countries alone finance these projects where a large part of the benefits falls to other countries. The European Commission recognises that in order to minimise financial burdens, member states who are not directly concerned by infrastructure works but which receive benefits, should be encouraged to provide financing for projects. This principle is already applied in the case of the agreement of 5 May 2004, between France and Italy, to construct the base tunnel on the Lyon-Turin route which will be financed 63% by Italy against 37% by France in order to rebalance the investment in the project overall taking account of the fact that the access routes to be built are largely in France.

39. Charging for the use of infrastructure, to finance infrastructure, is increasingly common in the EU. The CCP believe that the provision of off-road facilities could be fully funded by charging commercial vehicles at the point of entry to the UK. For example, London has introduced a congestion charge and the Port of Felixstowe has put a levy of £5.50 on each container to fund external infrastructure as part of a planning condition. Germany followed the example of other Member States by introducing the Maut motorway charge for commercial vehicles. There is no need to introduce a new system, the current 'Eurovignette' scheme could be adapted not only to provide facilities but also to ensure that their use would be affordable for drivers irrespective of country of origin or load value.

40. We recommend that the Select Committee instruct the Department to pursue these options to part fund the infrastructure and off-road solutions required to meet current and projected freight needs.

October 2007

Memorandum from the Inland Waterways Association (IWA) (FT 21)

BACKGROUND ON IWA

The Inland Waterways Association is a registered charity formed in 1946 by individuals who wished to turn our inland waterways from the abandoned ditches many had become into the widely used and much loved amenity that they are today. The Association, through its national membership and local waterway societies, campaigns to convince government, local authorities and the public of the need for canals and river navigations, and through its Waterway Recovery Group has helped restore hundreds of miles of waterways for use by boaters, walkers and anglers.

IWA has been active and often the driving force in waterway restoration the length and breadth of the country.

IWA has over 18,000 individual members, and 289 affiliated non-profit-making waterway organisations. More than 25,000 volunteer hours are annually donated through our Waterway Recovery Group.

The Inland Waterways Freight Group is part of The Inland Waterways Association's Navigation Committee and campaigns for greater use of inland waterways for freight transport.

EXECUTIVE SUMMARY

1. The government, particularly the former Office of Deputy Prime Minister, has shown some interest in developing movement of freight by water in recent years. Some developers are now using the canals to move aggregates and building materials by canal. There seems to be a general goodwill for the waterways to be used to bring materials to the Olympics site and a new multi-million pound recycling scheme has started on the Regent's Canal.

2. IWA welcomes this development. Non time-critical materials, such as paper, materials for recycling, coal, etc, can be moved by water, thus reducing carbon emissions and greenhouse gases/and removing many lorry movements from the roads.

3. However, although freight carriage on the waterways has great potential to address government's carbon-reduction agenda it is still under-utilised and under-appreciated.

4. IWA seeks a unit within government devoted to waterways freight; improved funding for waterways transport; and continued "Water Preferred" policy guidelines for large freight loads.

International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements

5. The canal network was primarily constructed for carrying goods. Today, however, less than 1% of domestic freight in England and Wales is transported via the waterway network; despite the significant environmental benefits of transferring freight from road (coastal and inland shipping emits 80% less carbon dioxide tonnes per kilometre than road haulage).

6. IWA has for long been of the view that the neglect of waterborne freight in Britain derives in large measure from two distinct but related factors.

7. Firstly, the lack of a unit within Government specifically concerned with the coordination, planning and development of waterways for freight movement. With BW firmly embedded within Defra there has been little encouragement of the idea that the waterways have a transport role within any rational, integrated transport system.

8. In *British Waterways Today and Tomorrow* (1980) IWA argued for the transfer of responsibility for the transport functions of the waterways to DfT which should establish a division concerned with all aspects of commercial (freight) waterways. In a policy document of 1996, IWA again urged the creation of a water freight unit in the DfT to coordinate waterways freight development and ensure that the UK participated fully in all EU waterway development programmes—something which the DoE/Defra seemingly failed to do. A "waterways desk" was in fact created but its impact has not been significant.

9. Secondly, there are built in anomalies in the funding arrangements of the different modes and this serves to disadvantage the waterways. Possibly because it had its origins in what were railway acts the award of Freight Facilities Grants for waterways has been administered by the DfT. The funding of the Government's water freight promotion group (Sea & Water) likewise comes from DfT. However, it is doubtful if even now the waterways are properly recognised in integrated strategic planning for transport and there is a fundamental contradiction between Government rhetoric and expectation with respect to the role of water transport at a time of mounting concern for the environment, local and global, and the policies and support that are necessary to effect change.

10. The recent reduction in BW funding by Defra and its immediate negative impact on waterway use for freight highlighted this contradiction. The 2007 report on British Waterways by the House of Commons Environment, Food and Rural Affairs Committee commendably gave considerable attention to freight and IWA strongly supports the committee's view that "there is a strong case for other government departments to make a direct contribution to BW's funding to reflect the contribution BW makes to the agendas of these departments." Transport is an obvious case.

11. There are numerous examples (Weaver, Severn, Trent and other waterways) where BW funding has been inadequate for the routine maintenance of channels and locks which would make the waterways fit for the purpose of moving and attracting more freight. This is an obvious example where the transport function is not adequately supported by the existing funding arrangements and should be made the clear responsibility of DfT rather than Defra.

12. It is not without interest that in the mid-1980s, BW plans to improve the Severn Corridor for sea-going craft to penetrate to Worcester made much of the diverse advantages not just for transport but also for flood control, drainage and water extraction interests with the implication that there could be a sharing of costs.

13. IWA believes that “green taxes” should be used to encourage companies to make the switch on to water. There needs to be a change by Government of the economics to put freight back on to the water.

14. A third factor that would promote a shift from roads to inland waterways would be a continuation of the government’s previous policy of preferring the use of water transport instead of roads for the movement of large abnormal indivisible loads.

15. The Highways Agency, in a consultation on the “Water Preferred” policy guidelines has proposed that the criteria for the prohibition of road transport for such large loads should now be loosened with a cost benefit calculation being used based primarily on the value of the load. This could result in road transport being the preferred option where the cost of transport by water exceeds 20% of the cost of the value of the load—even if the cost of the transport by road is also over 20%.

16. Such a policy would take no account of the environmental, congestion and disruption issues that utilising road transport bring, especially in larger cities where congestion and disruption issues may now even outweigh environmental issues altogether.

17. IWA believes that all abnormal indivisible freight loads should, where water provides a feasible option, be moved by that mode unless there are overwhelming reasons not to.

18. Government should reaffirm its commitment to the more environmentally-aware method of freight movement, and turn words into actions by investment and incentives to get appropriate traffics on to the water.

October 2007

Memorandum from Dover District Council (FT 22)

It is noted that the Department of Transport’s stated objectives recognise the importance of facilitating the continued development of a competitive and efficient freight sector while reducing the impact of freight movement on congestion, safety and the environment and other road users.

Much of the UK’s trade is channelled through Dover. Recent estimates from Dover Harbour Board place the combined value of import and export freight passing through Dover to be in the order of £55 thousand million per annum.

This level of activity translates to just under some 2.5 million HGV’s per annum, with daily flows of around 10,000 vehicles, now being recorded and which continues to grow. All indications suggest that this level of traffic will exceed 4 million vehicles over the next 20 years.

Clearly, this level of activity has a profound impact in and around Dover as a consequence of the traffic using both the strategic route corridors—the A20/M20 and A2/M2—to and from the port, which also operate in a regional and local context within the town. These problems range from congestion, disruption to the local functioning of the town, environmental impact (that has resulted in the declaration of an Air Quality Management Area) and the attendant impacts from overnight parking, all of which are hugely exacerbated on the occasions when the need for “Operation Stack” arises.

Both the A20/M20 and A2/M2 route corridors have been identified as part of the Trans-European Network. However, the A20/M20 has been defined as the Highway Agency’s preferred strategic route.

This point was highlighted in the recent Panel Report in response to the South East Plan where it was recognised (Para 18.39) that “The Dover Area experiences serious transport problems due largely to the increase in freight vehicles using the port and the local topography. We were informed that a comprehensive transportation study is in progress. The study will test the cumulative impact of additional growth levels going beyond those in the draft Plan and the freight impact as part of the LDF process”.

The port has also been recognised as a “Gateway” on the basis of and in recognition of the important role that it fulfils in a regional and national context. It was also noted (Para 9.28) and accepted that improvements are needed to the London–Dover International Corridor, and that this would include the A2 and rail access to the port.

This was also recognised by the Panel (at Para 18.83) when they indicated:

“We think it important for the Plan to identify the main pieces of infrastructure that are critical to the delivery of the sub-regional strategy. While most elements of infrastructure are adequately covered in the regional policies or are appropriate to the Implementation Plan, transport improvements are so vital to support the spatial planning framework that a separate section is justified . . .”

It was recommended (at Para 18.84) that, among other schemes, the following key transport themes should be named in the text to indicate the Sub-regional Transport Strategy to support sustainable growth and regeneration in East Kent and Ashford:

RAIL

Frequent domestic services on the CTRL for Ashford and the East Kent towns.

Ashford

- Improvements of junction 10 of M20 and additional junction 10A.
- Ashford to Thanet improved rail links.
- Ashford-Hastings rail capacity improvements.
- Enhancement of Ashford station and a new south Ashford rail station
- Co-ordinated bus route planning with new and existing development, new bus interchange and park and ride facilities.
- Measures to support cycling and walking.
- A south Ashford orbital road linking the A28 to the A2070 after 2016

Canterbury

- Improvement of A2 Canterbury bypass junctions together with associated demand management measures including park and ride.

Dover

- Improvements to A2 and A20 for port traffic and lorry parking facilities.

Thanet

East Kent Access Phase 2

While it was acknowledged (at Para 18.85) that most of the schemes above are related to housing and employment development, it was also stated, “there are additional priorities in this sub-region relating to its gateway function. Hence we consider landside access issues to Dover port to be particularly important. Several schemes are included in the SRIF table, and the need for progress is made more urgent because freight traffic is now running at levels previously forecast to be reached in 2014 and there are air quality concerns in the port’s vicinity. Of particular concern in the short-term is the extensive disruption that accompanies Operation Stack. We hope that a satisfactory management system and longer-term solution will emerge quickly from the co-ordinated work currently being undertaken by the HA and Kent CC. We also share the concerns of Dover Harbour Board that lack of progress on road improvements around and through Dover might inhibit redevelopment of the Western Docks.

It was further noted (at Para 18.86):

“ . . . while there are serious localised problems associated with access to the port of Dover the rest of the strategic road network currently shows little sign of ‘stress’. However, the HA commented that, given their trans-European role, in the longer term it may be necessary to consider forms of traffic management on the A2/M2 and A20/M20 . . . ”

Dover Harbour Board has recently announced plans for the expansion of the Port of Dover that propose a second Terminal at the Western Docks. The proposals are being developed through a process of stakeholder consultation and are being aligned with development proposals on the continent in recognition of the ever-expanding market demands and are fully supported by the District Council in partnership with the Regional Development Agencies and the County Council.

DHB’s plans for a second terminal (T2) also bring potential added value. Not only will they facilitate an improvement to the many current traffic related problems in the town centre, they should provide Dover with much needed stimulation for regeneration.

The circumstances arise partly because the Terminal 2 plans have identified important areas of Dover waterfront as being surplus to operational requirements and that these could be released for alternative development to assist this regeneration.

However, while the market should be able to deliver an attractive waterfront development, it must be recognised that it will remain sub-optimal in terms of regeneration so long as the barrier of the A20 main trunk road continues to divide the town centre from the waterfront. The presence of this road, which is an important part of the Trans-European Network, has the effect of exacerbating the disparity between the economic activities of the town centre and the waterfront.

Ideally the solution would be available from removing the trunk road from the town centre and bypassing the town. However, the constraints of the designation of outstanding natural beauty of the surrounding countryside and the costs, which would be involved, mean that solution is totally unviable.

Running in parallel with Dover Harbour Board's proposals, the work on the earlier mentioned transportation study is drawing to a conclusion. The Transportation Study, which is a public/private sector partnership involving the District Council, County Council, Regeneration Agencies, Dover Harbour Board, The Highways Agency and key landowners has examined all the potential growth options together with committed and anticipated development proposals. Key findings emerging from this work indicate that:

- the District needs to maximise growth to achieve critical mass;
- there is a compatibility of major growth at Whitfield and the Port Growth;
- a diversion of A2 could be considered; and
- transport and land-use strategy is fundamentally linked.

In addition to this, it is also understood that the County Council is progressing proposals for a solution to "Operation Stack", which may lead to a scheme for a lorry park being developed adjacent to the A20 at Sellindge. Again the District Council welcomes such proposals but would be seeking assurances that traffic using the A2/M2 route can be adequately catered for.

CONCLUSIONS

The District Council asks that the Select Committee take the following matters into account, which will assist with the planning and delivery of infrastructure and the free movement of goods:

- there are substantial acknowledged difficulties arising within and around Dover as a consequence of the ever-expanding trading patterns between the UK and the continent which generate a pressing need to ensure the existing infrastructure is improved and future proofed;
- without prejudice to the formal processes that need to be followed, the District Council welcomes the proposals by Dover Harbour Board for the development of Terminal 2;
- there is an acknowledged need for improvements, as highlighted in the Panel Report on the South East Plan, to the A2 (including the improvements in Canterbury) and A20 routes which should be out in place to compliment and support proposals by Dover Harbour Board and by the District Council through the Local Development Framework;
- the District Council requires that a solution to the problems arising from "Operation Stack" and overnight lorry parking is taken forward as a matter of urgency;
- the District Council commends the need to consider the A20/M20 and A2/M2 route corridors as a comprehensive package of infrastructure rather than separate entities; and
- the Highways Agency should take forward traffic management proposals to ensure that traffic using the strategic route corridors is channelled along either the A20/M20 or A2/M2 corridor relative to the end destinations at either Terminal 1 (the Eastern Docks) or in due course Terminal 2 (the Western Docks) thereby benefiting the users of the town centre and helping to remove the severance of the town from the seafront, reduce congestion and improve air quality and environmental conditions generally.

October 2007

Memorandum from Wynns Group (FT 23)

INTRODUCTION

1. Wynns Ltd are the UK's only independent transport consultancy specialising in the movement of abnormal indivisible loads. In 1998 and working on behalf of Powergen, Wynns engineered the delivery of seven loads in excess of 150 tonnes to Cottam Power Station in Nottinghamshire. The loads were delivered directly to site via the River Trent.

2. In November 2000 Wynns subsidiary company Robert Wynn & Sons Ltd was awarded an £8.5 million freight facilities grant. The grant represented 99% of the total cost of the design and build of a specialist ro-ro barge and the purchase and conversion of a former inland tanker barge.

3. The vessels, later named the Terra Marique and the Inland Navigator, work as a system to maximise the potential of the inland waterway network for the carriage of the largest and heaviest abnormal indivisible loads. Specifically, Special Order & VR1 categories which are granted for road movement by the Secretary Of State for Transport. Special Order permits are issued for loads which when transported are either in excess of 150 tonnes in weight, 6.1 metres in width or 30 metres in length and VR1 permits which are for loads which when transported are above 5 metres in width.

4. The Governments “water preferred policy” was announced on 11 June 2002 by the then Parliamentary Under Secretary for Transport David Jamieson MP and clearly states that:

“the Departments VSE Division will henceforth adopt a policy whereby water transportation is the preferred mode for the movement of the largest and heaviest abnormal indivisible loads. Road movements will only be authorised where the Department has considered the possibility but believes water transportation is not feasible”

SUMMARY

5. The Committee has indicated that it will examine how successfully the Department for Transport is fulfilling its responsibility to facilitate free movement of goods while limiting harmful impacts, as well examine whether the Department’s responsibilities should be extended, to developing and implementing an integrated freight plan.

6. We believe that Department for Transport and its Executive Agencies are not maximising their position if their role is to facilitate the free movement of goods, while limiting their impact. We do support the view that the department should develop a fully integrated and sustainable freight plan.

7. The UK’s commercial Inland waterways, we believe, should have an increasing part to play within a fully integrated and sustainable transport network. They are a natural freight carrying conduit linking ports to major centres of population, such as South Yorkshire, East and West Midlands and London and the South East.

Is the Department’s investment in logistics programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?

8. The freight facilities grant scheme/Sustainable Distribution Fund

9. The freight facilities grant scheme was extended to include inland waterways following the passing of the 1981 Transport Act. Previously funding had only been available for transferring freight from road to rail. The first freight grant, for a waterway project, was awarded some 18 months later in May 1983 and over the next 22 years (up to April 2005) the Department for Transport, in all its guises, awarded 60 other freight facilities grants.

10. In 2002 the Department for Transport consulted with industry and subsequently revised the grant processes as well as proposing a separate grant scheme which was for non capital (operating) costs, the waterborne freight grant. In February 2005 The Department for Transport incorporated the freight facilities grant scheme, including grants for inland waterways based projects and the waterborne freight grant within the sustainable distribution fund. This also includes grant schemes for rail.

11. While our company was the recipient of the largest freight grant award for an inland waterway project, as highlighted above, we do not believe the waterborne grant schemes are as successful as they should be in removing freight from an already congested road network, and if anything are counter productive in the struggle to develop inland waterway freight carriage on the UK commercial waterways.

12. We would highlight the following problems.

13. The grant scheme is not designed to facilitate long-term modal shift from road to water. Grants are given for removing specific traffics, for example aggregates, from the roads. This could result in a situation where operators moving cargoes cannot use grant aided wharf facilities. ie what the government is doing is developing a network of privately owned wharfs that will be abandoned once the specific traffic has ceased.

14. This should be considered in light of the fact that British Waterways, the countries largest navigation authority, is selling off many of its wharves for redevelopment. This action is creating the problem that cargo may be able to be moved on inland waterways but there are no appropriate places to load and unload. To use a rail based analogy, a rail line without any stations.

15. The freight facilities grant unit have made it be known that they no longer welcome grant applications for vessel purchase or renovation. We would ask why?

16. One of the major constraints on the development of inland waterway freight traffic is the availability and suitability of existing craft. Much of the inland waterway fleet in the UK is over 30 years old and therefore vessels either need to be upgraded or new ones built. This is often at a significant cost.

17. A cost that, in some cases due to the marginal cost savings between road and water, is likely to tip the balance away from water back to road.

18. There seems no rational behind the Department for Transport's decision not to grant aid vessel construction or refit. It would seem logical that if an applicant proposed a project that included monies for a new build vessel, whether or not it was grant aided should be based on the environmental benefits derived, as was the case until this u-turn was instigated some year or two ago.

19. Inland waterways freight facilities grants now have to compete with rail based freight grants. As previously stated in 2005 rail and water freight facilities grants were merged and all freight facilities grants would be awarded from the same fund. We do not know what the impact of this change has been since it was enacted but this step we believe will have a detrimental impact on the development of inland waterway freight carriage.

20. The officials within the Department for Transport have said that the grant schemes have been put in place to derive environmental benefits not to support the development of inland waterway freight carriage. We would ask why this is not the case as a vibrant waterborne freight sector would in the medium and long term be a great asset and would deliver significant economic and environmental benefits which far exceed the monies within the grant scheme.

21. We would also ask why the government is actually disadvantaging waterborne freight grants by saying that rail transport and barge transport derive the same environmental benefit. We would ask if there is academic study to substantiate this. We believe that it is unlikely that inland waterway freight carriage and carriage of goods by rail have the same environmental impact yet the grant scheme treats them the same.

WATERBORNE FREIGHT POLICY

22. In the Governments response to the Freight Study Group report (June 2002), the Department for Transport committed itself to "Provide a single focal point within Government for all waterway freight issues" this focal point is based within the Logistics and Maritime Directorate.

23. A new post was not created as a result of the Departments undertaking. Rather, extra responsibilities were put upon those who administered waterborne freight grants. We understand that this is still the case today. We would therefore ask who is responsible for waterborne freight policy? Is the Department for Transport actively seeking to make better use of the UK's commercial waterways, if not we would ask why not.

24. Funding freight grants and providing support for the activities of Sea & Water seems to be the government's commitment to inland waterway freight carriage. It is understood that there are many officials responsible for policies associated with the movement of freight on road and rail and these officials revise policies, provide guidance and ensure that there is cross governmental consensus on issues that face their sectors. Who is undertaking this on behalf of inland waterways? The government's response to the freight study group report welcomed the creation of the then new post of Head of Freight at British Waterways. This position no longer exists nor does the central freight marketing team. Just another example to reaffirm our view that nobody is responsible for developing waterborne freight policy.

25. We do know that the Highways Agency is responsible for the implementation of the Department for transports "water preferred policy". A policy that as detailed above should be removing the largest and heaviest abnormal loads from the road network. To date we are not aware of any loads that have been delivered via the inland waterway as a direct result of the policy. It is true to say some loads have travelled via inland waterways but this was due to other factors rather than the policy.

26. This Committee heavily criticised the Highways Agencies work regarding this policy in its inquiry entitled "The Work of the Department for Transport's Agencies-Driver and Vehicle Operator Group and the Highways Agency", stating that "Little real effort has been made to divert freight off the roads and onto the water".

27. We would ask the committee if the same could be said of the Department for Transport?

Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote "free movement of goods"?

28. Planning has a crucial role to play in the development of inland waterway freight carriage. As highlighted earlier, we are increasingly seeing the selling off of wharves for redevelopment. This only succeeds to make water transport more difficult. The Department for Transport needs to have a role both in the management of those navigation authorities responsible for the commercial waterways (a responsibility currently designated to DEFRA) and planning (a responsibility currently designated to DCLG).

29. In the last 12 months we have seen planning applications approved by city councils in Worcester and Nottingham that will significantly restrict the freight carrying potential of the River Severn and Trent.

30. This is not solely due to the fact that the wharves have been sold off, more so that a like for like or enhanced replacement has not been designated. We agree with those who say that many of our remaining wharfs in town and city centres are not fit for purpose and are actually in the wrong place. We would however wish the Department for Transport would take steps to ensure that replacement facilities are provided in more suitable locations.

31. An example of this is Worcester where the last remaining freight wharf at Diglis Basin is being redeveloped for housing and leisure. The wharf is situated in the centre of the city with poor links to the primary trunk road network. The redevelopment of this must generate significant income to British Waterways who in this case are not only the landowner and but also in partnership with the developer.

32. There is not however any firm plans to provide a replacement facility. The river Severn shadows the M5 for much of its distance and is crossed by the A38 and the A4440 (Worcester bypass). We would have hoped that a replacement facility could be developed by British Waterways close to one of these trunk roads. To date nothing has been forthcoming despite we believe assurances given to the Department for Transport water freight section prior to planning being approved.

33. The Department for Transport need to take a proactive approach to ensuring that bad planning does not compromise the inland waterways freight carrying potential. Inland waterways pass through many district and county boundaries and therefore a national approach to safeguarding and replacement is needed.

34. While safeguarding of wharfs is in place on the Thames we would again seek to have this scheme extended nationally. Wharf protection should form part of a national integrated freight plan.

35. A plan is required that sets out the government's priorities as to how they will develop a national sustainable and integrated freight-carrying network. A network that also maximises the potential of short sea, coastal and inland waterway freight carriage.

36. It is essential that Government take a joined up approach to the provision of transport infrastructure, to aid this we would again highlight the need for the Department for Transport to be made responsible for the commercial waterway network, as defined in the 1968 Transport Act.

37. This Committee made this recommendation in its recent Ports inquiry. This point we believe needs to be made to again as only when the commercial waterways are incorporated in to the strategic transport network will they be given the consideration and investment they deserve.

October 2007

Memorandum from GPS Marine Contractors Ltd (FT 24)

1. This submission is made from the perspective of an inland waterways (Rivers Thames and Medway) operator with term contracts for 760,000 tons per annum and that has historically additionally won short term contracts for the transport of between 180 and 220,000 tons per year. We operate 5 tugs in the Thames and Medway and 30+ barges between 150 and 1500 tons cargo capacity. The principal cargoes carried are concrete aggregates and spoil.

2. The sustainable distribution fund is something from which a company such as ours should benefit, yet it is something of a mystery to us and, indeed, it is something of which we have been unable to learn anything despite numerous attempts to do so. We have in excess of 5 million tons of aggregate in the ground that is suitable for recycling and that has to be removed from site by barge, yet the intransigence of the Environment Agency and the inaccessibility of the sustainable distribution fund have combined to ensure that this valuable resource remains untapped.

3. The major disincentive relative to modal shift towards inland waterways transport in the Thames and Medway is lack of suitable cost effective land. Suitable land, in this respect, means land where port operations can physically be carried out, ie where there is good water access and where the land is suitable for the associated shore processes. Such processes may be pure storage for onward distribution, but more frequently, in our experience, inland waterways transport works best when feeding riverside manufacturers or producers. Such sites are often blighted by the proximity of residential developments whereby the industrial or commercial process that the inland waterways transport supplies often offends the sensibilities of residents. These problems cause the shore based processes to incur additional cost and expensive restrictions that would not be experienced in other areas. Often in these situations out of hours tidal barge change overs also cause problems with residents. In the UK today one of the biggest disincentives to industrial and commercial use of riverside land is cost. All riverside land is seen as prime residential land and even protected status of some wharves has not precluded their residential development. For this reason, if for no other, riverside land has become prohibitively expensive for industrial, and commercial operators

compared to comparable sites elsewhere. Modal shift towards inland waterways transport of freight can be encouraged and incentivised by protecting potentially useful riverside sites and making it absolutely certain that the protected status cannot be overturned. Such a move would automatically reduce the market value of such sites to levels at which commercial activity becomes viable. A further incentive would be for government to make it more difficult for normal commercial and industrial activity to be deemed a statutory nuisance. In particular it should not be possible for residents in new developments to object to activities and uses of land proximate to such new developments that existed prior to the new development being built. It is precisely this type of objection that has caused numerous Thames wharves to close and become lost to commerce over the past 20 years.

4. The Department must have more influence and responsibility for planning and delivering integrated low carbon footprint infrastructure. At the moment we have experience and knowledge of terminal operators who discriminate against inland waterways container movements in favour of road to achieve either opportunity profit (ie increased profit unrelated to increased cost, risk or operational complexity) or to support existing owned lorry fleets. There is also a conflict between the aims of ODPM and the Department, in that ODPM wants to exploit all brown field sites on the banks of the Thames and Medway (Thames Gateway) for residential development and this is at variance with the aim of maximizing the potential for use of low carbon emission inland waterways transport. It was precisely the inability of the Department to influence the ODPM that caused the rail connected port of Rochester (6 berths, 4 of which were non tidally constrained) to be lost to trade in favour of residential development. It is undoubtedly also the case that where UK port authorities have become independent of central government control, or have to manage on relatively small budgets with no significant potential to create wealth (eg PLA), in consequence their imperatives are driven either by shareholder concerns or by short term budgetary concerns rather than matters of strategic national importance. For this reason dredging of channels and maintenance of strategic port infrastructure is frequently neglected and as a result facilities have become unusable. This is vastly different from the situation in ports such as Rotterdam where national government in the form of Port of Rotterdam Authority deal with issues of strategic national importance as part of its day to day activities without reference to shareholders who, of necessity can not take into account the bigger picture. Within any initiative that the Department might take to develop an integrated freight infrastructure that takes advantage of inland waterways transport, it must be appreciated that at the present time the industry is suffering from an acute shortage of skilled labour both operationally and in support sectors. Indeed, the shortage of repair facilities and skilled ship repair operatives is a major obstacle to the efficient operation of inland waterways vessels and to the development of the sector. To eradicate these problems consideration again has to be given to the price of land adjacent to waterways, to the funding of repair facilities aimed at commercial vessels as well as to the education and training of potential employees (both operational and in support services). In attempting to promote modal shift towards movement of freight by inland waterways the Department must work more closely with MCA and, even more importantly, MCA must consult properly with the industry it is supposed to serve. Recent history is littered with inappropriate consultations between MCA and the relevant sectors of the maritime industries. The problems in MCA are endemic and are principally a result of MCA staff being drawn from a very narrow sector of the industry. It is a commonly held belief that MCA is not possessed of a single person with specific detailed knowledge of inland shipping, yet the Agency considers itself to be in a position to “rubbish” the established principles by which the inland waterways industries of mainland Europe are operated. Hence the systematic disadvantaging of UK operators compared with their European competitors.

5. Successive governments have been singularly inept at ensuring a level playing field between UK and other European inland waterways freight operators. UK businesses are unable to compete in the inland waterways of other European states for 3 principal reasons. The first is that the UK opted out of EU directive 540 of 1987. In consequence of this UK operators at 01.07.90 have been prevented from obtaining “grandfathered” licences as inland waterways operators in mainland Europe. UK operators are prevented from obtaining these licences through study because the syllabus and examination is not available in English. Without such a licence UK operators can not operate elsewhere in Europe, but the UK will, and does, allow operators from elsewhere in Europe to operate in the UK with impunity. The second reason is because the recently adopted MCA National Fitness for Purpose Scheme is in many ways more onerous to UK operators than the European standard Rhine rules but the UK fitness for purpose scheme certification is not recognised in Europe, whereas a vessel that is compliant with the Rhine rules is automatically accepted in the UK. The sensible approach to a national fitness for purpose scheme, one that we advocated from the outset, would have been to adopt the Rhine Rules “as is” and then to issue exemptions as deemed appropriate to cater for specific national conditions. In this way existing situations could have been accommodated, a level playing field could have been created and the seemingly deliberate disadvantaging of operators such as ourselves, compared with operators in other EU countries could have been avoided completely. This dreadful situation, one that could so easily have been avoided, must be dealt with urgently by means of dialogue between industry, the Department and MCA. The third cause of the UK inland waterways industry being disadvantaged in terms of European competition is as a result of education. Dutch, and to some extent Belgian and German operators, can operate internationally more effectively than their UK competitors because their employees enjoy a higher level of education and this enables them to

perform to higher standards and to communicate more effectively in their own language as well as in others. A massive problem for UK operators that only government can address is the inability of our employees to communicate adequately even in English with other native English speakers. The possibility of their employees communicating adequately in a foreign language is, unfortunately, only a distant dream for the vast and overwhelming majority of UK inland waterways employers. An example of this type of communication problem is that of one of our masters, a 21 year old native Englishman, who on 4 October 2007 was given instructions by another native Englishman to load a barge with 20mm gravel at 08:10 and proceeded to load it with sand at 08:15! Unfortunately this is anything but an isolated occurrence; regrettably, it is instead indicative of a lack of educational and temperamental ability that gives a lie to the stated emphasis of government on education, education, education!

October 2007

Memorandum from the Association of International Courier and Express Services (AICES) (FT 25)

1. The Association of International Couriers and Express Services (AICES) is the UK trade association for companies handling international express documents and package shipments and its members include household names such as DHL, FedEx, TNT and UPS. Our members are responsible for over 95% of the international courier and express shipments moved through the UK every day, providing the “just-in-time” information and goods that organisations from hospitals to major financial institutions rely upon.

2. The sectors that are most reliant on express services are among the most productive and the fast growing areas of the UK economy including the manufacturers of electronic components, telecoms and financial services. Rapid, cost-effective delivery is increasingly important to these sectors’ ability to compete in global markets with more than two-thirds of companies reporting that express delivery services are vital or very important for their business success.

3. A recent independent report by Oxford Economic Forecasting entitled “*The Economic Impact of express Carriers for UK Plc*” reveals that the sector currently contributes nearly £1 billion to GDP and £1.3 billion of economic activity to the UK economy and directly employs 32,000 people and indirectly supports a further 72,000 jobs.

4. The Association would like to submit the following as evidence to the Transport Select Committee as part of the forthcoming inquiry into the Department for Transport’s approach to freight transport.

The TC will also examine whether the Department’s responsibilities should be extended, to developing and implementing an integrated freight plan, for example

5. The Association is sceptical of the value of adopting an Integrated Freight Plan by the Department for Transport. The difficulties faced by the department in reducing high levels of private car use and the challenge associated with encouraging greater use of public transport should remain the department’s key priority.

6. The idea of a DfT Integrated Freight Plan in addition to work being undertaken by TFL, local authorities and devolved bodies risks more bureaucracy and regulation being imposed on top of existing arrangements with no measurable improvement in the operation of freight transport.

7. Members already operate full vehicles having consolidated them effectively. An integrated freight plan could not, therefore, reduce the number of freight vehicles operated by the large express carriers.

Is the Department’s investment in logistics programmes-including the Sustainable Distribution Fund-good value for money and meeting the objectives?

8. The Association is concerned with the continuous emphasis on modal shift from road to rail and water borne freight. The express sector is based on rapid and time specific deliveries with heavy emphasis on using planes, lorries and vans. The scope for moving to alternatives is extremely limited.

9. Regarding the efficiency programme the association believes that a great deal more could be done to encourage and promote the engagement of the sector with this work.

10. The Association is of the view that the SDF should include a work stream based on research and development into alternative fuel technologies.

International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail?

11. AICES members are fully supportive of measures to improve the environment and actively promote their own initiatives, such as the introduction of quieter, more fuel efficient aircraft engines and environmentally friendly vehicles. One example of the numerous voluntary projects AICES members have been working on is the initiative to reduce the impact of night operations:

12. Investment in new aircraft—To reduce noise and emissions, the express industry is investing over 3,300 million euros in quieter and cleaner aircraft for use in Europe.

13. Adaptation of operational and flight procedures to minimise noise impact—Express operators cooperate with airport authorities to develop flight procedures which have the least impact on the environment, while respecting safety requirements.

14. Divert the transport of shipments from air to road or rail—Whenever possible, express operators divert from air to road, but the emphasis must be laid on whenever possible. This diversionary approach cannot be allowed to undermine the crucial role played by the express sector.

How can the Government encourage and incentivise further efficiency improvements?

15. The sector needs plenty of time to adapt to change and avoid haphazard and un-coordinated change from a multiplicity of different policy directions—the EU, the DfT and TfL. The emphasis needs to be on more positive encouragement rather than negatives.

Air freight in the South-East is forecast to grow from 2.2 million tonnes a year in 2003 to 14 million tonnes by 2030. Has the Department adequately planned for the capacity and access implications of this very significant growth?

16. Practically every organisation relies on fast and efficient transportation of goods, components and documents in order to ensure their commercial competitiveness and success. The express industry specialises in time-definite, reliable transportation services for documents, parcels and freight. It has allowed British business to rely on the predictable, expeditious delivery of supplies, thereby enabling them to attain and maintain global competitiveness.

17. This usually requires goods to be picked up at the end of the working day for delivery early the following day. The only way to achieve such a delivery schedule is by the operation of aircraft outside of normal business hours, including those defined as night, between 11pm and 6 am. Night flights are only used when no other alternatives are available.

18. Typically, the types of goods transported by express services are high-value items such as electronic components, automotive spares, product samples and pharmaceutical products. With e-commerce becoming a major driver for the UK economy, the express industry will play an increasingly important role in the supply chain ensuring business efficiency and consumer satisfaction. The ability to fly at night is therefore particularly important for express operators to meet the “next day” needs of customers.

19. AICES members have taken numerous voluntary initiatives to reduce the impact of night operations as much as possible. These include, investment in new aircraft; the adaptation of operational and flight procedures to minimise noise impact and, wherever possible, diverting the transport of shipments from air to road.

20. As the Government recognised in its aviation white paper, the demand for express industry services is growing. A balanced approach must therefore be struck between providing businesses with vital modern transportation and logistics and the needs of the communities living nearby airports.

21. Failure to find a balance could result in severe consequences. If restrictions or even bans on night flights are imposed, carriers may be forced to move to more favourable locations within the European Union. With them will go considerable national and local economic benefits.

22. The loss of a next day delivery service would damage UK business considerably, particularly the hard pressed manufacturing sector. In a recent CBI and Oxford Economic Forecasting survey, over 90% of firms in the computer and office equipment, electrical engineering, motor vehicles, printing & publishing and precision and optical instruments sectors reported that they would be very badly affected by the cessation of nightflights and next day delivery services.

23. The express industry welcomed the “balanced approach” on aviation noise, agreed in October 2001 at the International Civil Aviation Organisation General Assembly and implemented by EU Directive 2002/30/EC on the establishment of rules and procedures with regard to the introduction of noise-related operating restrictions at Community Airports.

24. The “balanced approach”, if effectively implemented by Member States, should provide legal certainty to the express industry whilst at the same time ensure a reduction in the number of people affected by noise.

25. AICES supports and advocates sensible noise regulation, but believes that such regulation is best achieved within an international framework. AICES is of the opinion that ICAO is the most appropriate organisation responsible for managing the environmental effects of the global aviation system.

26. The demand for express delivery services is growing. We are proud of our contribution to the UK economy—local and national—and the efforts we have made to adapt our operations to address environmental concerns. We look forward to working with decision makers at all levels to ensure we are able to do so in the future.

27. If the UK economy is going to remain competitive, it is vital that existing airport capacity is used to the full to support the future growth in trade and that freight should be entitled to a share of any additional capacity derived from the expansion of Heathrow.

28. The continuation of dedicated freight night flights at East Midlands Airport, Luton and Stansted are vital in ensuring that sufficient capacity is maintained to meet the large volume of demand for time definite express deliveries.

How will transport networks need to adjust to serve the growing air freight market?

29. The Association supports the principle of road pricing provided that the schemes are proven to have a positive cost-benefit. The Association is also strongly of the view that consulting with the transport sector should be a compulsory requirement included in the Local Transport Bill. The Association would recommend that freight only lanes on motorways should be subjected to examination in a pilot study.

How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries?

30. AICES are actively involved in the Central London Freight Partnership which has working groups on loading/unloading/PCNs and consolidation centres. Progress is slow but there is now agreement that both local authorities and the private sector have a shared interest in reducing the number of incorrectly applied PCNs, which involve costs being incurred by both. The Association is of the view that traffic and parking restrictions should be restricted to considerations of safety and traffic flow.

Are the restrictions on night-time deliveries still appropriate? What impact would weakening the restrictions have on quality of life and other factors?

31. The majority of our deliveries are done during the day.

How can the road safety record of haulage vehicles be improved?

32. Road safety is an important issue for the industry—many of our members have significant driver training and road safety programmes to minimize the risk to others.

October 2007

Memorandum from Manchester Airports Group Plc (MAG) (FT 26)

A. INTRODUCTION

1. This is the response of The Manchester Airports Group Plc (MAG) to the Transport Committee's inquiry into Freight Transport.

2. MAG is the UK's largest British owned airport operator and comprises the airports of Manchester, East Midlands, Humberside and Bournemouth. MAG handled almost 28 million passengers in 2005 and 470,000 tonnes of freight. MAG welcomes the committee's interest in Freight Transport.

3. East Midlands Airport (EMA) is the UK's largest pure freight airport. Three of the world's biggest freight integrator companies are based at EMA—DHL, UPS and TNT—and in 2006 over 300,000 tonnes of freight passed through the airport.

4. "Pure" freight is carried in dedicated freighter aircraft. This is distinct from the "bellyhold" freight carried under the passenger compartment of many long-haul passenger aircraft using airports such as Heathrow. Despite having very little bellyhold freight, EMA is second only to Heathrow in terms of total UK air freight.

East Midlands Airport

5. EMA's first class road links and central location within 4 hours trucking time of 89% of mainland England and Wales has helped it develop as the natural location for the UK's express freight hub. Millions of pounds of private sector investment have been made at EMA to establish state-of-the-art facilities in response to the growing market.

6. EMA's hub role is a considerable national asset in terms of the range of services and destinations available to UK companies. The Future of Air Transport White Paper recognised EMA as the leading airport for "pure" freight and highlighted the importance of air freight to the future of the national and regional economy.

7. East Midlands is the principal UK express freight hub where aircraft from smaller bases on the periphery of the network (the "gateways" or "spokes") meet and transfer shipments both for domestic and onward international travel.

Express freight industry

8. The express freight industry is considered to be the "business class of cargo", and refers to guaranteed, reliable, efficient, and integrated movement of goods and items, mainly for business to business transactions in both domestic and international markets.

9. Express freight connects 90% of the world's GDP within 24 hours. The catalytic economic benefit of a typical passenger flight has been estimated at £10,000 but because of the high value of the goods carried, an express freight flight's economic benefit is £58,000—nearly six times as great.

10. Air transport is only used by express freight companies ("integrators") where other alternatives are unavailable or unviable.

11. For long-haul and international next day deliveries, air travel plays an essential role in what makes the sector successful and attractive to business. UK business increasingly relies on next-day and "just in time" deliveries, which remove the need for large inventories and the storage of spare parts.

12. A report commissioned by EMA and the East Midlands Development Agency (emda) on the Economic Impact of Express Carriers for UK plc (published in January 2006), by Oxford Economic Forecasting (OEF) and Mott MacDonald, found that the express delivery industry is one of the UK's fastest growing economic sectors. It supports at least 72,000 jobs nationally, and this has been growing at an average rate of 6% a year since the mid-1990s—six times the UK employment growth rate. The industry directly employs 4,700 and overall supports 10,200 jobs in the East Midlands region.

13. Crucially, the report also found that the "catalytic" impact on the performance of the rest of the economy contributes £1.3 billion to the UK's GDP each year. These catalytic impacts are captured through enabling better and faster trade links to businesses and markets abroad which assists business and regional economic competitiveness. This contribution is forecast by OEF to increase to £5 billion a year over the next twenty years. Overall the industry transports more than £10 billion of UK exports each year, contributing directly to national and regional objectives around international trade.

B. QUESTIONS:

MAG has chosen to focus on air freight only.

International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements?

14. Air transport has an important role to play in the carriage of goods, alongside other modes of transport. Air freight is predominantly used for next day delivery for business-to-business transactions—as mentioned above UK business increasingly relies on the swift access to world markets that can only be provided by express air freight. Continued access to next day delivery by express air freight is crucial in ensuring the continued competitiveness of UK business.

15. Freight integrators are "multi-modal", and road transport is still used wherever possible. However, the options for express surface transport from the UK to international destinations are limited, meaning that air is the best placed mode to provide this service.

16. Similarly, the demand for urgent delivery, and for goods to be collected at the end of one business day and delivered at the beginning of the next, makes transport by air essential for a significant proportion of the integrators' volumes.

17. In other words, the question of modal shift is not simply one of air versus shipping, or rail versus road. For urgent next day deliveries, such as important documents or perishable cargo, there is often no alternative to delivery by air.

18. It should also be remembered that international shipping makes a contribution to global emissions. Shipping accounts for approximately 5% global CO₂, as opposed to aviation's contribution of approximately 3% of global CO₂ emissions.

19. MAG recognises aviation's environmental impact and has lobbied for the industry to be included in the EU Emissions Trading Scheme.

CONCLUSIONS

20. MAG welcomes the committee's interest in UK freight and air freight in particular. Air freight plays an important role in linking business to overseas markets and in providing swift access for urgent business requirements.

21. MAG believes that air freight provides one of many options for the transportation of goods. We believe that the market, rather than Government incentives, should be used to promote different transport modes.

October 2007

Memorandum from the Civil Aviation Authority (CAA) (FT 27)

1. INTRODUCTION

1. The CAA is the UK's independent specialist aviation regulator. Its activities include economic regulation, airspace policy, safety regulation and consumer protection. There are 3 departments within the CAA that have contact with cargo related issues: the Safety Regulation Group (SRG), The Directorate of Airspace Policy (DAP) and the Economic Regulation Group (ERG).

2. SRG is responsible solely for ensuring that cargo aircraft, like any other aircraft entering UK airspace, pass the minimum UK safety standards set for that particular type of aircraft.

3. For DAP, there is no distinction between passenger aircraft, passenger aircraft with cargo in the hold, or all-cargo aircraft. Airspace management and modification is independent of aircraft type, although issues may arise at airports where there are high levels of all-cargo aircraft movements, which may lead to a higher than average level of night flights with associated environmental considerations.

4. ERG is responsible for collecting statistical information on air cargo to fulfil the UK Government's obligations for data reporting to ICAO and the European Commission. Cargo statistics (by weight) are recorded according to whether cargo is arriving or departing from UK airports, whether the cargo is part of the bellyhold of a passenger aircraft or on an all-cargo aircraft, as well as whether the cargo is made up of freight or mail.²⁸ These data are published monthly at an aggregate level, and are available electronically by route and by airline on a CAA database which holds monthly data back to 1986. Total freight revenue is collected for main UK airlines only, but this information is not broken down by origin/destination.

5. The CAA's principal expertise within the all-cargo sector therefore is based primarily on its collection of and access to cargo related statistics. This submission will present some high-level data on air cargo carried to or from the UK's airports, which we hope will be of interest to the Committee. It also suggests some policy areas which the committee may wish to consider; while the majority of ERG's more detailed involvement with the aviation sector is in relation to passenger traffic as opposed to cargo, we have sought to provide the committee with some analysis of the data available.

2. CARGO OPERATIONS FROM UK AIRPORTS

6. In the CAA's statistics, cargo is recorded by weight in metric tonnes. It comprises both freight and mail, with freight making up the majority of the weight (about 90% in 2006). Goods that travel by air tend to be highly perishable (eg foodstuffs) or high-value (eg diamonds). However, the CAA does not collect data on the type or value of the goods being transported to and from UK airports.

7. In 2006, 2.3 million tonnes of freight and 0.2 million tonnes of mail was carried by air into and out of the UK's reporting airports.²⁹ The combined total of 2.5 million tonnes represents a fall of 3% on the total for 2005, but an increase of 28% on the total for 1996.

²⁸ These criteria are in addition to the usual distinctions available within CAA data sources, such as reporting airport and origin/destination airport.

²⁹ Over 60 UK airports report data to the CAA, including all those with more than 15,000 commercial passenger movements or 1,500 tonnes of freight uplifted.

Cargo by UK airports

8. Figure 1 shows how cargo weight carried is distributed between the London and regional airports³⁰. It shows that the regional airports have seen sustained growth over recent years, with an average annual growth rate of cargo tonnes handled between 1990 and 2006 of 5.7%. The London airports, however, show a more variable growth pattern. Between 1991 and 2000, there was a broadly constant growth rate of 7.4% per annum. However there was a fall of 9.8% in 2001 alone and from 2001 to 2006, the average annual growth was only 0.7%.

Figure 1

TOTAL CARGO (TONNES) BY UK AIRPORTS, LONDON AND REGIONAL, 1990–2006



Source: CAA airport statistics.

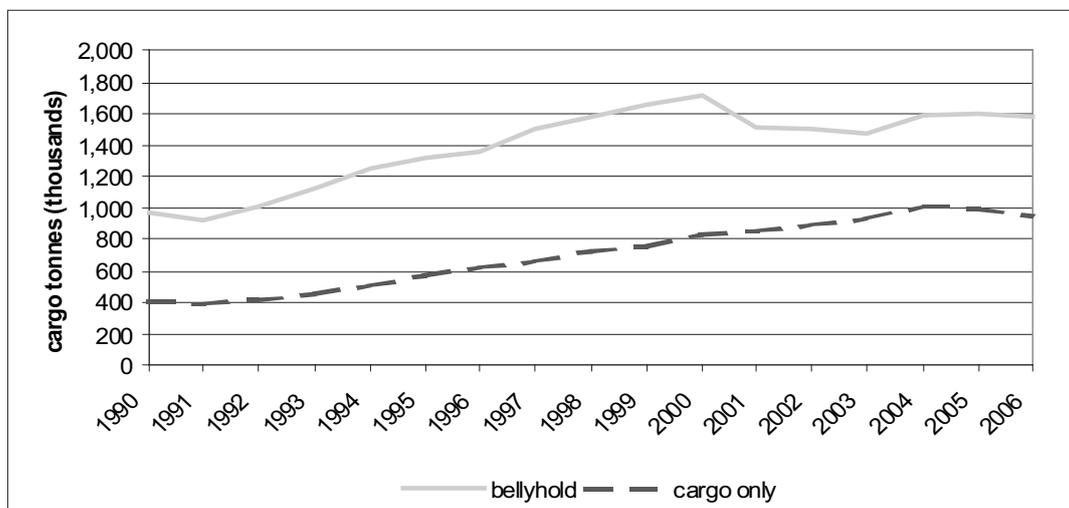
Notes: Flights to and from oil rigs excluded.

Cargo-only flights and bellyhold

9. Air freight or mail can either be carried on dedicated cargo-only aircraft or in the belly-hold of passenger aircraft. Figure 2 shows the total cargo weight at UK airports by means of transport. It demonstrates a very similar shape to the London/Regional graph in Figure 1. Both types of cargo transport have shown a slight downturn in terms of weight since 2004.

Figure 2

CARGO (TONNES) BY AIRCRAFT TYPE AT UK AIRPORTS, 1990–2006



Source: CAA airport statistics.

Notes: Flights to and from oil rigs excluded.

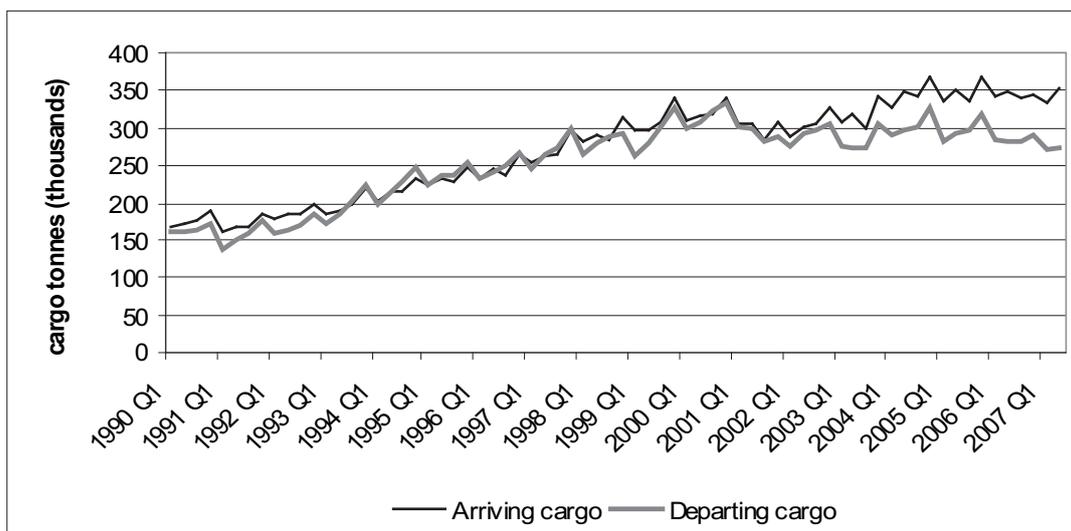
³⁰ London airports are Heathrow, Gatwick, Luton, Stansted, London City and Southend. Regional airports are all others.

Cargo on departing and arriving flights

10. For the most part passengers take return journeys while particular items of cargo only travel in one direction. As Figure 3 shows, arriving and departing cargo was roughly equal in weight until around 2001. From then on there is a divergence, with arriving cargo continuing to rise, before flattening off by 2004. Departing cargo remained broadly flat after 2001, and showed an apparent decline from 2004.

Figure 3

QUARTERLY CARGO (MAIL + FREIGHT) BY ARRIVALS AND DEPARTURES



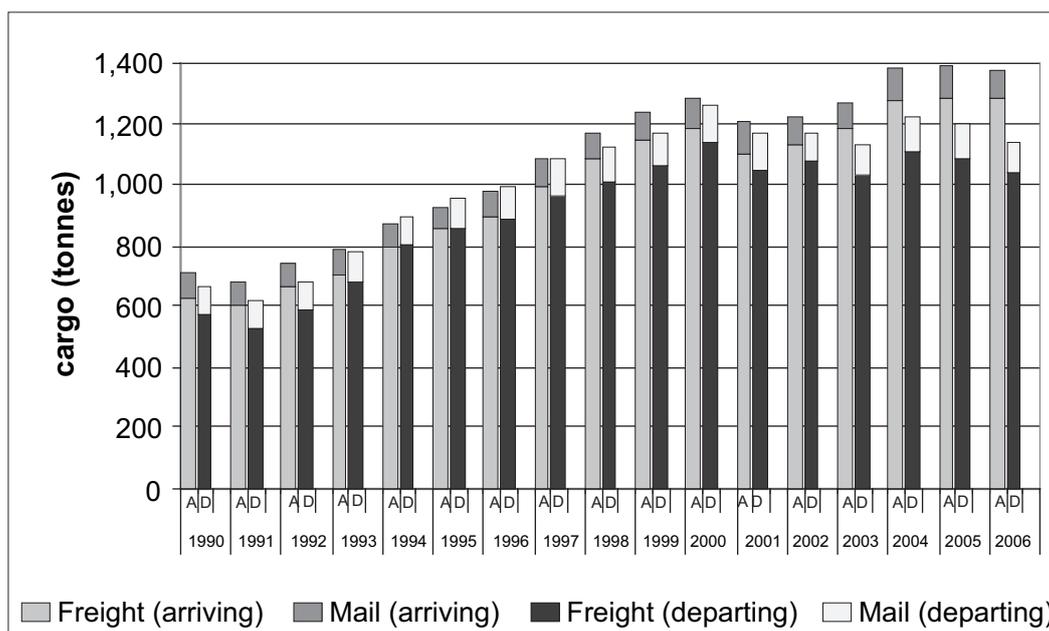
Source: CAA airport statistics.

Notes: Flights to and from oil rigs excluded.

11. This pattern can be seen more clearly from the annual data shown in Figure 4, which shows that the divergence between arriving and departing cargo weights is mainly due to the recent lack of growth in departing freight weight compared to arriving freight weight.

Figure 4

ANNUAL FREIGHT BY TYPE, ARRIVALS AND DEPARTURES, UK REPORTING AIRPORTS



Source: CAA airport statistics

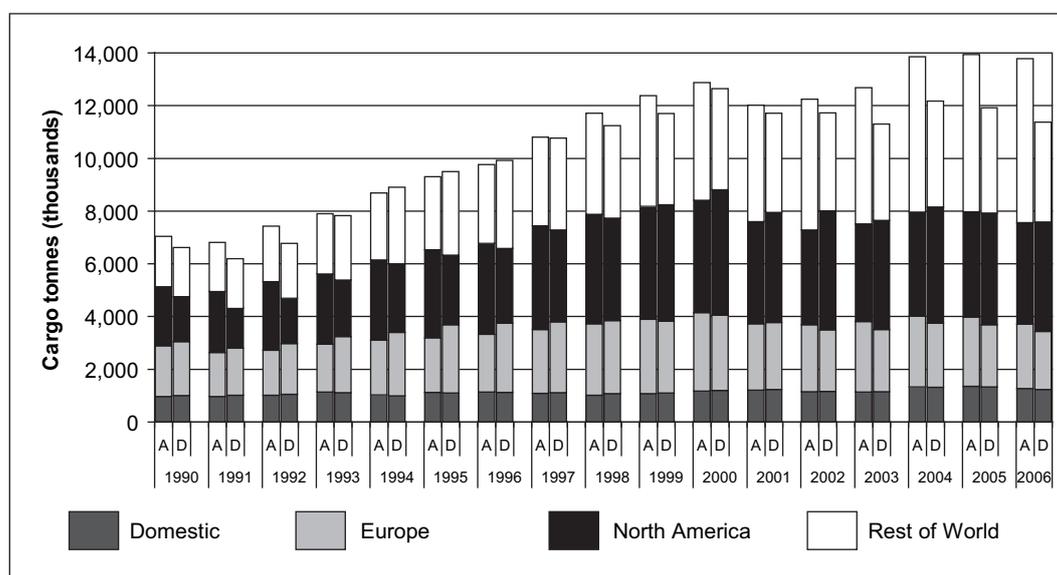
Notes: Flights to and from oil rigs excluded

Cargo by world area

12. As Figure 5 shows, the overall weight of air cargo at UK airports since 1990 has been fairly static for domestic and European routes,³¹ whereas the growth in cargo weight has been mainly seen on routes between the UK and North America, and UK and the rest of the world. In this analysis, world area is taken to be the origin/destination of the flight (the first or last airport on the flight plan of the aircraft). This will not always correctly represent the origin/destination of the cargo because:

- if it is a multi-sector flight, the cargo may have been loaded / unloaded at one of the intermediate airports; and
- the UK—origin/destination airport may only represent a part of the total journey of the cargo, since, compared to passengers, cargo is less likely to avoid multiple connections and long stopovers.

13. Figure 5 also shows that the disparity between arriving and departing weight mainly comes from the “rest of world” countries. To a lesser extent there is also net inbound cargo from Europe. The only region where the UK has net outbound cargo by weight is North America. The size of this net outflow is approximately equal and opposite to the European net inflow.

Figure 5**ANNUAL FREIGHT BY TYPE, ARRIVALS AND DEPARTURES, UK REPORTING AIRPORTS**

Source: CAA airport statistics.

Notes: Flights to and from oil rigs excluded.

14. Table 1 shows the breakdown of international cargo weight carried between the UK and the ten countries that had most air cargo traffic with the UK in 2006. These countries accounted for 66% of the total air cargo weight in 2006, an increase from 58% in 1990. The country in the top ten with the highest growth in air cargo weight to or from the UK between 1990 and 2006 was the United Arab Emirates, followed by India and South Africa.

Table 1**INTERNATIONAL CARGO FLOWS BETWEEN UK AND THE TOP 10 COUNTRIES³²**

<i>tonnes (000s)</i>	<i>1990</i>	<i>1993</i>	<i>1996</i>	<i>1999</i>	<i>2002</i>	<i>2005</i>	<i>2006</i>	<i>Annual Growth '90-'06</i>
USA	342	414	557	754	730	747	724	4.8%
United Arab Emirates	22	23	34	52	93	142	151	12.8%
Hong Kong	43	56	85	93	114	122	117	6.5%
Germany	99	89	118	109	105	123	104	0.3%
Belgium	34	33	46	93	83	81	85	5.9%

³¹ Europe is here defined as geographical Europe.

³² Top ten countries by total cargo (arriving and departing) weight in 2006.

<i>tonnes (000s)</i>	1990	1993	1996	1999	2002	2005	2006	<i>Annual Growth '90–'06</i>
Canada	51	66	72	117	80	75	76	2.5%
India	16	14	22	16	27	49	67	9.4%
Japan	36	51	70	75	67	71	62	3.5%
South Africa	15	18	28	45	59	64	59	8.9%
Australia	21	29	31	38	36	52	47	5.2%
Others	488	554	683	798	772	793	773	2.9%
Total	1,168	1,349	1,743	2,190	2,166	2,317	2,265	4.2%

Source: CAA airport statistics.

Notes: Flights to and from oil rigs excluded.

3. AIRPORT CHARGES FOR FREIGHT OPERATIONS

15. The CAA sets limits every five years on the amounts that designated airports may levy on aircraft operators by way of airport charges. The designated airports are currently Heathrow, Gatwick, Stansted and Manchester although the Government is in the process of consulting on whether Stansted and Manchester should be “de-designated”.

16. None of the 4 designated airports charge passenger airlines according to the amount of freight carried in the bellyhold of passenger aircraft. Any charges levied on freight shippers for the transport, warehousing and processing of freight at airports are not directly regulated by the CAA. However, whole plane freight operations will attract airport charges for the landing and parking of freighter aircraft. These charges are regulated charges for the purpose of CAA price capping and in the current price control period (2003–2008) designated airports may not charge more for a freighter aircraft than they would for an equivalent passenger aircraft. The Competition Commission has recently recommended to the CAA that this arrangement should continue into the next price control period (2008–2013). The CAA is considering the Commission’s recommendations and will publish its own proposals in November 2007.

4. POLICY OBSERVATIONS

17. Although the majority of our involvement with the aviation industry is in the passenger traffic sector, as opposed to cargo, we would like to make three observations of relevance to the all-cargo market.

- Traffic Distribution Rules (TDRs)—TDRs currently restrict the number of peak time all-cargo flights operating at Heathrow and Gatwick. After consultation with the airport operator, BAA, and the slot coordinator, ACL, the CAA determines the peak periods for the summer and winter seasons in a given year, after which point all-cargo operators are allowed to operate in these periods only with the approval of the airports operator, BAA. TDRs have been in place in their current form since 1991 and it might be timely, in the context of the availability of capacity at these airports, to consider whether this administrative mechanism is still the best way for allocating such resource, as opposed to relying more on market mechanisms like slot trading.
- Bilateral Air Services Agreements (ASAs)—There is no standard practice for the treatment of cargo rights between countries negotiating bilateral ASAs, although the Department for Transport has a policy of seeking a balanced exchange of bilateral rights where a fully liberal agreement cannot be reached. In most instances, all-cargo aircraft rights are negotiated alongside passenger aircraft rights and negotiations are concluded as part of a package as the commercial demand for the different rights can vary significantly. Where it has not been possible to negotiate an open agreement with a bilateral partner, it is common for there to be different limits for cargo and passenger operations, with the latter providing airlines with the opportunity to carry cargo in their belly-holds. Whilst the CAA recognises that an alternative approach of advocating the deregulation of cargo markets independent of passenger operations would no doubt provide some immediate benefits in terms of facilitating air-based freight, there might be disadvantages to this approach in circumstances where such rights might otherwise be utilised by more liberal treatment of passenger services. The CAA therefore fully supports the Government’s approach to liberalisation on the basis of a balanced exchange of cargo and passenger rights.
- The Environment—Air Passenger Duty (APD) is levied on all passengers departing from a UK airport on an aircraft of more than ten tonnes or with more than 20 seats. All-cargo aircraft are by definition exempt from this tax. To the extent that APD is regarded as an environmental tax, the exemption of cargo operations, is anomalous. This issue will arise again in the context of the introduction of any emissions trading scheme in the future—in order to ensure a level playing field and a more market based, incentive driven, economic solution, cargo-only flights should be included in the system on a similar basis to passenger flights.

Memorandum from the Office of Rail Regulation (ORR) (FT 28)

INTRODUCTION

1. We are submitting evidence as the independent safety and economic regulator for railways in Great Britain. The committee's specific questions cover a number of freight modes. This evidence provides some general background on the challenges faced by rail freight and our role in the regulation of rail freight.

ORR's ROLE

2. Our key roles in the industry are

- Monitoring and enforcing compliance with domestic and European health and safety law, and promoting health and safety more generally, in the rail sector. For instance we monitor, through our railway inspectorate, the health and safety performance of freight operators, and encourage or require necessary improvements;
- Setting Network Rail's funding and output requirements. This includes setting access charges payable by freight operators to use the network and the outputs Network Rail is required to deliver for freight;
- Monitoring Network Rail and industry performance and taking appropriate action;
- Setting the terms of key industry contracts and incentives, including the access contracts under which freight operators use Network Rail's network—we have for instance directed that these should be ten year contracts, thus creating a greater degree of certainty for freight operators to plan;
- Enforcing domestic and European competition law in the rail sector. We have strongly encouraged the development of competition within the rail freight sector.

3. As economic regulator we are required to balance a range of public interest objectives set out in Section 4 of the Railways Act 1993 and amended in subsequent legislation. These include promoting the use and development of the rail network for the carriage of goods to the extent we consider economically practicable. As health and safety regulator and as competition authority we are bound by health and safety and competition legislation respectively.

MARKET AND POLICY BACKGROUND

4. Rail freight has seen significant growth in recent years after a long period of decline in carryings. The graphs annexed to this evidence show recent trends. The industry is now forecasting continued growth—as set out in Network Rail's recent freight utilisation strategy and in the government's white paper "*Developing a Sustainable Railway*". The white paper emphasised the importance government attaches to rail freight as an environmentally friendly and economically efficient mode of transport. This has been reinforced by similar statements from other public sector funders—Transport for London and Transport Scotland.

5. The rail freight industry is in the private sector. We believe it is better placed than in the past to meet the challenge of growth. Our access charging policy, consistent with European directives, means that rail freight does not have to contribute to the fixed costs of the network. Competition between rail freight operators is more intense, and this is driving improvement.

6. The Eddington report highlighted the importance of efficient freight transport to the UK economy and the role rail freight could play. Government has recognised the importance of rail freight with its funding for the strategic freight network, and the funding of freight projects through the Transport Innovation Fund.

7. Rail freight has also been a major focus of European Union rail policy aiming to tackle the long-term decline in carryings. To do this EU rail policy aims to:

- Ensure non-discriminatory market access and transparent market structures.
- Provide incentives for an efficient infrastructure use.
- Contribute to a sustainable financial restructuring of railway undertakings and infrastructure managers.
- Promote greater interoperability of national networks through harmonised technical standards and procedures to reduce costs and improve efficiency.
- Develop a common rail safety approach to facilitate market access.

8. The European transport approach is substantially in line that in the UK, promoting market opening, creating a competitive environment and encouraging the development of a sustainable, well-integrated rail system. In addition, if implemented effectively, European rail transport legislation has the potential to benefit both industry and regulator through simpler processes and economies of scale from standardised components.

THE CHALLENGE FOR THE INDUSTRY

9. Despite this favourable policy background, the industry faces considerable challenges if it is to meet the forecasts set out in the white paper. These require significant growth in traffic where rail is most competitive with road (intermodal and similar traffic). Coal movements are less likely to be a significant element in growth than they have been (particularly in terms of freight tonne-kilometres moved) in recent years.

10. In order to meet this challenge:

- It will be important for customers to have confidence in the reliability and customer responsiveness of rail freight;
- continued development of a more competitive supply market should benefit rail freight customers; and
- Network Rail will play a key role, with specific schemes to improve capacity, but also taking a more proactive approach to meeting the needs of freight customers. We expect the strategic business plan to be published at the beginning of November to set out how it is going to do this.

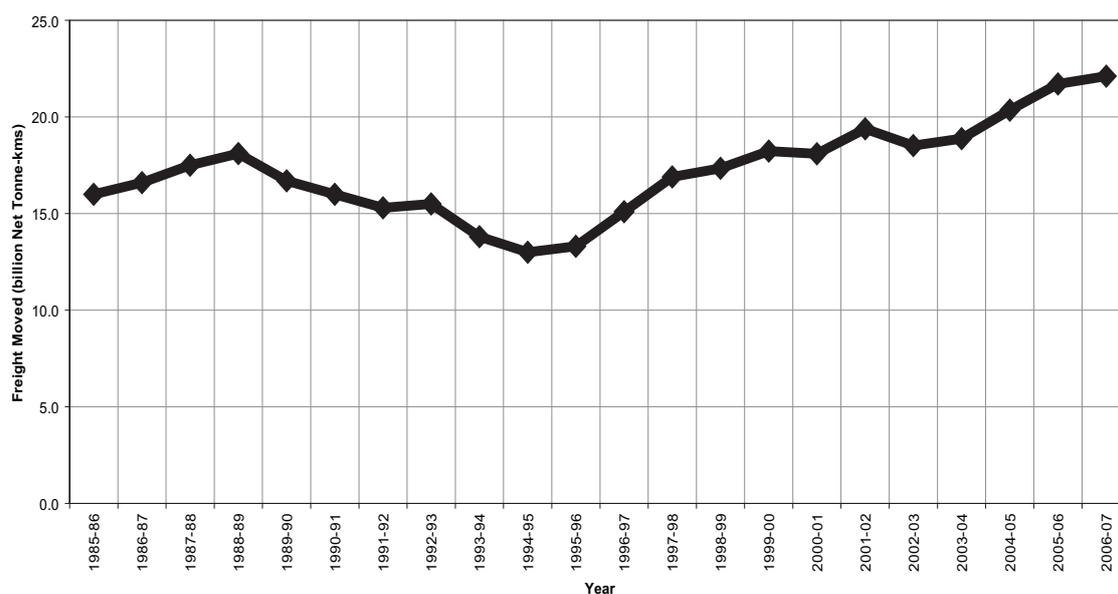
11. In terms of the committee's inquiry, we believe that meeting the expectations set out in the white paper on rail freight is also a challenge to government. It needs to build on the approach set out in the white paper and in particular

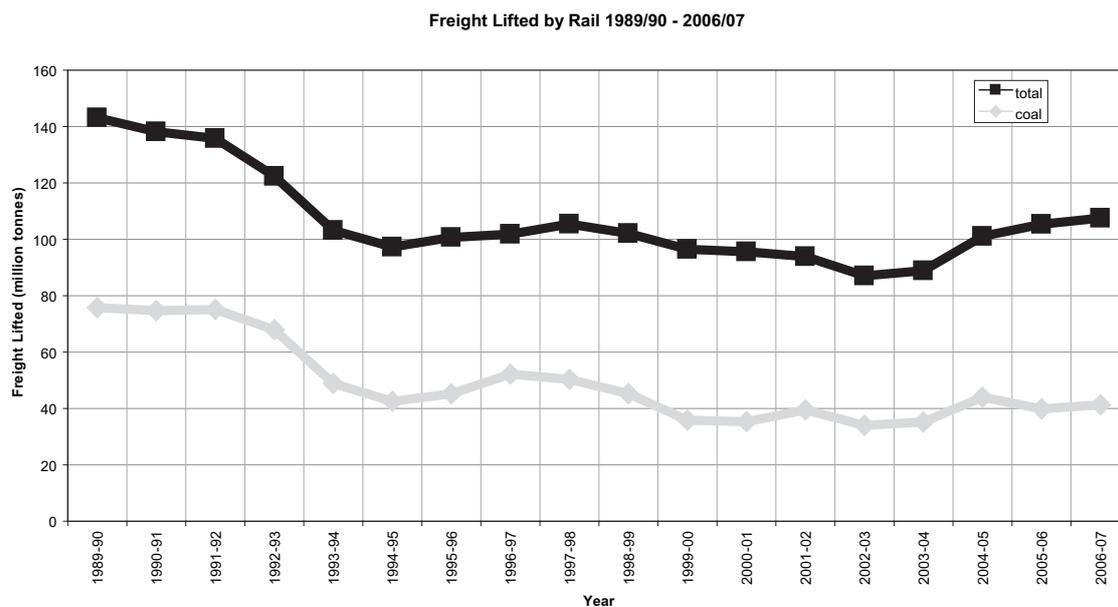
- develop policies for freight across all modes which ensure the most efficient contribution to increased productivity and sustainable development;
- continue to support investment in rail freight to achieve objectives that go wider than the commercial interests of freight companies; and
- ensure that the planning regime for new terminals works efficiently and effectively.

12. ORR will continue to contribute to the development of rail freight, and in particular, we will

- continue to report and comment on industry performance, both safety and other aspects, and press for improvement;
- set freight access charges designed to encourage use of the network for freight and consistent with EU directives;
- define outputs for Network Rail which reflect the needs of the freight market, and encourage partnership between freight operators and Network Rail;
- ensure the interests of freight and other uses of the network are properly balanced;
- ensure that Network Rail responds in an efficient and timely way to funded requirements to enhance the network for freight; and
- encourage development of a more competitive market in the provision of rail freight services.

Freight Moved by Rail 1985/86 - 2006/07 (Billion Net tonne-kms)





October 2007

Memorandum from Mott MacDonald Ltd (FT 29)

AIR FREIGHT IN THE SOUTH-EAST

“Air freight in the South-East is forecast to grow from 2.2 million tonnes a year in 2003 to 14 million tonnes by 2030. Has the Department adequately planned for the capacity and access implications of this very significant growth? How will transport networks need to adjust to serve the growing air freight market?”

1. The growth figures stated, ie from 2.2 million tonnes a year in 2003 to 14 million tonnes by 2030 at South East airports implies an average annual growth rate (AAGR) of 7.1%.

2. According to UK Civil Aviation Authority statistics the amount of air freight handled at South East airports in 2003 was actually 1.72 million tonnes.³³ The total air freight handled at all UK airports in 2003 was 2.2 million tonnes.

3. In 2006 the amount of air freight handled at South East airports was 1.74 million tonnes, an overall increase of 1.6% versus 2003. The average annual growth rate between 2003 and 2006 at South East airports was 0.5%.

4. The average annual growth rate of air freight handled at all UK airports between 2003 and 2006 was 1.6%.

5. Over the same period the UK economy, measured by GDP, grew by 2.8% in 2003, by 3.3% in 2004, by 1.8% in 2005 and by 2.8% in 2006.

6. The latest GDP growth forecasts for the UK are 2.8% in 2007; 2.2% in 2008; 2.4% in 2009, 2.5% in 2010 and 2.5% in 2011. Based on the GDP multipliers achieved between 2003 and 2006 it is difficult to envisage annual growth rates of 7.1% in UK air freight traffic.

7. The average annual growth rate of UK air freight from 2006 to 2030 is more likely to average around 2% per annum rather than 7.1%. Assuming an average annual growth rate of 2% results in UK airports handling around 4 million tonnes of air freight in 2030.

8. London and South East airports share of UK air freight traffic in 2006 was 75%. This share will probably reduce to around 65% by 2030. This means that London and South East airports would be handling around 2.6 million tonnes of air freight in 2030, compared with 1.6 million tonnes in 2006.

9. Heathrow Airport is by far the most important airport in terms of air freight throughput in the South East and in the UK. Heathrow achieved a market share of air freight handled at all UK airports in 2003 of 55.2% and in 2006 of 54.3%.

10. Airports in the Midlands region were the fastest growing in the UK between 2003 and 2006, with an AAGR of 6.7%. Nottingham East Midlands airport (NEMA) is the largest and most influential airport within the Midlands region.

³³ South East airports are defined as Heathrow, Gatwick, Stansted, Luton, Southend, Bournemouth, Cambridge, Kent International and Norwich.

11. The reason why Heathrow's market share is reducing and NEMA's has been increasing is because some "integrators"³⁴ have substantial operations there. Integrators are companies that offer both air and ground transportation services to customers.

12. Those UK Airports with significant air express operations are growing more quickly than airports handling general air cargo traffic.

13. It is our opinion that the Government should produce a new UK air cargo³⁵ forecast by market segment. We would suggest that the market segments to be used for the forecast are as follows:

- Air express traffic carried on all-cargo aircraft.
- General air freight carried on all-cargo aircraft.
- General and air express traffic carried in the lower holds of passenger aircraft.
- Domestic air mail traffic.
- International air mail traffic.

14. In order to "facilitate the continued development of a competitive and efficient (air) freight sector . . ." the Government must carefully consider the needs of each of the market segments included in the air cargo traffic forecast.

15. The air express segment of the air freight market is likely to continue as the main demand driver in the UK air freight market through to 2030.

16. Air express operators require an airport location that provides direct and immediate access to the motorway network, guaranteed 24 hour operations at their operating base airports, the ability to operate without environmental constraints and the availability of land to expand their operations.

17. The Government should determine the future capacity of NEMA to handle the forecast increase of air cargo traffic and, specifically, whether there is a requirement for a dedicated air cargo airport, close to the M25, the M1 and M6 corridors. A number of former military airfields might be considered, particularly those that offer locational advantages and the operational capabilities currently in place at NEMA.

18. Virtually all air freight and air mail traffic is delivered to and from airports by road. This will most likely continue to be the case through to 2030. Motorways offer the best form of access to and from airports for air freight and air mail consignments.

19. It is unlikely that rail freight will have anything but a minor role to play in the distribution of air freight and air mail traffic to and from UK airports, particularly given the highly time sensitive nature of air express shipments.

20. We do not foresee the need to adjust transport networks to serve the growth of the UK air cargo market, apart from the need to improve motorway exit and entry points closest to airports that handle significant air express traffic.

21. The key challenge for the Government will to be to ensure that sufficient capacity and optimum operating conditions are provided at airports throughout the UK to facilitate operations by air express operators using all-cargo aircraft.

October 2007

Memorandum by the Rail Safety and Standards Board (RSSB) (FT 30)

1. EXECUTIVE SUMMARY

1.1 Rail freight offers much lower carbon intensity than road haulage or air freight as well as the potential to contribute to congestion relief on the roads and reduce noise and some air pollutants.

1.2 One of rail's contributions to the delivery of sustainable transport is through modal shift to rail from less sustainable modes, enabling a reduction in the overall impact of transport.

1.3 Capacity and network congestion are key challenges facing the industry.

1.4 The recent Rail White Paper sets out Government commitments to address network capacity constraints and to double freight and passenger traffic and in particular for freight the Strategic Freight Network.

1.5 The outcomes of Government fiscal instruments are not always consistent with promoting modal shift to lower carbon impact modes.

1.6 The Strategic Freight Network is critical to rail freight and the commitment by Government to provide £200 million towards this is a welcome step.

³⁴ Typically DHL, Fed Ex Express, TNT Airways and UPS.

³⁵ Cargo = air freight + air mail.

1.7 The Channel Tunnel Rail Link (CTRL) provides rail with more potential to secure modal shift from air freight.

1.8 One way to improve road safety is to realise modal shift from road to rail freight.

1.9 The Government should consider setting out a strategy for freight transport in GB aimed at maximising the sustainability of freight movement.

2. RESPONDEES

2.1 This is a submission by the Rail Safety and Standards Board (RSSB) on behalf of the GB rail industry. One of RSSB's key roles is to build consensus across the GB railway industry and to facilitate the resolution of cross-industry issues and initiatives. RSSB is the facilitator of the Sustainable Rail Programme (SRP) on behalf of the GB railway industry.

2.2 Recognising the Government's strategy for sustainable development, the GB railway industry has established the Sustainable Rail Programme, which commits the industry to developing a 30-year sustainable development strategy for the railway.

2.2 The SRP is led by a cross-industry steering group the Sustainable Development Steering Group (SDSG) comprising industry chief executives, key policy makers and Government representatives.

2.3 While the rail industry has undeniably good sustainability credentials, cooperation will ensure its sustainability performance is optimised. The current structure of the industry creates the need for cooperation between the different stakeholders to deliver sustainability improvements as capital investment in one part of the industry often delivers benefits in a different part of the industry or society.

3. FACTUAL INFORMATION

3.1 *Sustainable development and freight transport*

3.1.1 The SRP seeks to optimise rail's contribution to a sustainable transport system and supports the Government's sustainable development strategy "Securing the Future" and the Government's recent White Paper "*Delivering a Sustainable Railway*".

3.1.2 Within the SRP, sustainability is illustrated by considering the impacts on each of the three sustainability pillars, environment, economy and society. Sustainable transport outcomes include reducing environmental emissions and securing improvements in service performance, affordability and accessibility.

3.1.3 Rail freight offers much lower carbon intensity than road haulage or air freight as well as the potential to contribute to congestion relief on the roads and reduce noise and some air pollutants.³⁶

3.1.4 One of rail's contributions to the delivery of sustainable transport is to provide additional capacity that would enable modal shift to rail from less sustainable modes and enabling a reduction in the overall impact of transport (all modes considered) as outlined in the Government's White Paper "*Delivering a Sustainable Railway*".

3.1.5 Given the growth in the use of GB railways by passenger and freight during the last decade, and the predicted growth in the future,³⁷ capacity and network congestion are key challenges facing the industry. The Government's White Paper "*Delivering a Sustainable Railway*" sets out commitments by Government to double freight and passenger traffic, which should provide an opportunity for the rail industry to secure modal shift from other modes.

3.1.6 We have tried to focus our response as closely as possible on the strategic issues identified by the Committee as being of particular interest. Our comments on these are set out in more detail below.

3.2 *Investment in logistics Programmes (Bullet 1)*

3.2.1 The Government funds a number of rail freight programmes. These include the Transport Innovation Fund (TIF) for infrastructure capacity upgrades and the Sustainable Distribution Fund (SDF), part of which supports the movement of deep sea containers (Rail Environmental Benefit Procurement Scheme [REPS]).

3.2.2 The REPS has encouraged significant growth in the inter-modal rail sector by promoting modal shift to rail. As the sector has become more efficient, the grant rates have reduced, and value for money increased.

3.2.3 In 2007–08, the REPS budget has been significantly reduced from previous years, which will limit the modal shift of deep sea containers by rail and reduce the proportion of freight moved by rail. The impact of the REPS budget is not in line with the growth in rail freight set out in *Delivering a Sustainable Railway*.

³⁶ *The Case for Rail 2007* by the Rail Safety and Standards Board.

³⁷ Government's White Paper "*Delivering a Sustainable Railway*" indicates that the projected growth of freight carried by rail over the next 10 years as 30%.

3.3 *Promoting modal shift from road and air freight (Bullet 2)*

3.3.1 One of the principal Government interventions for freight transport is fiscal instruments such as taxation, regulation and cost/benefit appraisal. The outcomes of such instruments are not always consistent with promoting modal shift to the lower impact modes creating an uneven playing field.

3.3.2 To secure modal shift from higher to lower impact modes requires that lower impact modes offer appropriate economic and social incentives. This interpreted for rail freight means an adequate loading gauge with sufficient capacity, reliability, punctuality, speed and competitive cost.

3.3.2 Delivering a Sustainable Railway sets out the Strategic Freight Network (SFN) to be defined by the industry. The commitment by Government to provide £200 million towards this is a welcome step. Providing the SFN should offer the opportunity to secure modal shift from other higher impact modes by providing increased capacity, reliability and punctuality for rail freight.

3.4 *Implication of growth in air freight (Bullet 3)*

3.4.1 Import or export air freight has to be moved between suppliers/customers and airports—a role which is currently fulfilled by road haulage. At present, there are no dedicated rail freight links to airports for the transfer of air freight despite rail infrastructure running adjacent to many of Britain's airports.

3.4.2 Over the last 10 years there has been significant investment in improving passenger rail links to airports to address congestion and pollution caused by those travelling to and from the terminals. Given appropriate traffic volumes, rail freight could have a significant role in transferring air freight between suppliers/customers and the airport.

3.4.3 For inter European air freight, the Channel Tunnel provides the opportunity to completely remove the air freight component of the current journey. At present, there are some ongoing issues concerning the use of the Channel Tunnel by rail freight, which the Government is seeking to address. We encourage the Government to continue exerting pressure to ensure freight is able to use this key international route in an affordable and efficient manner.

3.5 *Planning and delivering integrated infrastructure (Bullet 4)*

3.5.1 Integrated rail freight infrastructure such as large scale rail freight interchanges struggle to gain planning permission and often face lengthy and expensive planning inquiries. The proposals in the Planning White Paper made no reference to rail schemes and as such offered little chance of addressing these difficulties.

3.5.2 One of the weaknesses of local planning inquiries is the lack of a national policy on freight transport. A policy of this kind would present the benefits and impacts at the national level and set local planning decisions in the context of the national need to achieve modal shift.

3.6 *Influencing Europe (Bullet 5)*

3.6.1 As set out above, we encourage the Government to continue to press for a satisfactory outcome to freight access on CTRL and through the Channel Tunnel.

3.6.2 Road haulage has an advantage over rail freight when travelling to Europe and beyond as it can use the Transports Internationaux Routiers (TIR) system. TIR is a system which enables the movement of goods under custom seals³⁸. These seals provide a guarantee that the custom duties and taxes are covered and this alleviates the need to check goods at customs and excise. This aids the smooth movement of goods through TIR countries and in-turn reduces delays in transporting good and reduces associated costs. Rail freight does not have such a system in place and when transporting goods into Europe it may be in a poorer position to compete with road haulage between TIR affiliated countries. This is particularly the case when importing and exporting perishable goods.

3.7 *Freight quality partnerships (Bullet 6)*

3.7.1 No specific comments

3.8 *Improving road safety (Bullet 7)*

3.8.1 Increasing the permitted weight of HGVs to 60 or 84 tonnes is expected to introduce new types of risks and have a detrimental impact on road safety,³⁸ which is contrary to a point raised by the Transport Committee.

3.8.2 It is widely recognised that rail transport is much safer than road transport.³⁹ One way to improve road safety is to realise modal shift from road to rail freight.

³⁸ International Road Transport Union website www.iru.org

³⁹ Mega-Trucks versus Rail Freight? Facts and Arguments by UIC, CER, UNIFE, ERIM and ERFA dated June 2007.

3.9 Further areas for consideration

3.9.1 Increasing permitted weights of HGVs could bring additional impacts on the existing road infrastructure. Increasing the weight leads to the need for enhancement to the existing infrastructure to cope with the extra tonnage and more costs in terms of maintenance to repair wear and tear.⁴⁰ This will bring extra cost in terms of undertaking the work and also extra carbon cost in terms of producing and delivering the materials to undertake the enhancements. Taking these factors into account, Government needs to take into consideration whether rail is better placed to carry increased loadings by extending train length instead of increasing the permitted weight of HGV.

3.9.2 Similarly, increasing the length of vehicles can have adverse impacts on the road transport network. The suggested use of longer, heavier vehicles (LHVs) in the UK has led to concerns ranging from environmental efficiency to safety and societal implications.⁴¹ Other concerns relate to the impact these vehicles could have on existing road infrastructure and the possible increase in traffic.

3.9.3 Freight customers need to be carefully considered when developing an integrated transport plan. The development of a national policy for freight could help to influence customer decision making towards rail through placing an increased emphasis on the need to use more sustainable modes. Incentivisation of major suppliers by Government could also help to influence this shift.

4. RECOMMENDATIONS FOR ACTION

4.1 One of the key weaknesses in respect of freight transport that emerges in the points raised by the Transport Committee is the lack of a national freight policy in Great Britain. We ask that the Transport Committee recognise that a policy which sets out the Government's long term strategy for freight, including their support for rail freight and priorities for the development of the GB freight network and services, would assist the rail industry, those who operate and use logistics services, and planning authorities.

4.2 It is our aspiration that rail freight should form part of an integrated freight network where each mode is used to realise its relevant strengths in delivering sustainable freight movement. We encourage the Transport Committee to promote this sustainable approach.

Memorandum from Freight on Rail (FT 31)

DEFINITION OF FREIGHT ON RAIL

Freight on Rail is a campaign working to get goods off roads and onto rail as an important step in developing a more sustainable distribution system.

Freight on Rail is a partnership between transport trades unions, rail freight industry and Campaign for Better Transport. It works to promote the economic, social and environmental benefits of rail freight both nationally and locally. It advocates policy changes that support the shift to rail and provides information and help on freight related issues to local and regional authorities.

The members are as follows:—Rail Freight Group, EWS, Freightliner, RMT, ASLEF, TSSA, UNITE—AMICUS Section and Campaign for Better Transport.

The following questions have been asked by the committee.

1. *Is the Department's investment in logistics programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?*

Rail freight grants are an important mechanism and represent good value for money. DfT grants do have an important role to play in promoting sustainable freight transport and compensating for the fact that the road haulage does not pay for all the external costs it imposes on society such as congestion, pollution, road accidents and road maintenance costs.

We believe that taking away significant amounts of support for the mode would have the following repercussions

- Damage industry confidence in rail freight.
- Result in more road congestion on key trunk routes especially the ports.
- Be unpopular with the general public.

The resumption of Freight Facility Grants is most welcome as capital grants are particularly important in offsetting the initial start-up costs of the modal shift to rail.

⁴⁰ *Annual Safety Performance Report 2006* by the Rail Safety and Standards Board

⁴¹ Study by Freightliner on the affects of modal share in the deep sea container market of the introduction of the Longer Heavier Vehicles (LGVs)

2. *International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport—what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? How can the Government encourage and incentivise further efficiency improvements.*

HOW TO ENCOURAGE MODAL SHIFT TO RAIL FREIGHT

(a) *Reject trials of longer heavier lorries (LHVs)*

Government evaluation of longer heavier lorries runs counter to its stated policy to encourage rail freight which would be seriously damaged by the introduction of these vehicles.

This month Government ministers will receive a report outlining whether the Government should allow trials of longer and heavier lorries (LHVs), ranging from 25.5 to 30.5 metres, 60 to 84 tonnes, on the UK's roads. The most favoured option, at 25.5 metres long and 60 tonnes, would be 50% longer and over a third heavier than existing 44 tonne lorries.

Longer and heavier lorries (LHVs), have serious safety and environmental implications and could seriously damage the prospects for rail freight growth,

We believe that plans to consider the operation of 60 tonne lorries, and any consideration of trials should also be opposed on the following grounds.

(i) Research, undertaken by independent transport consultants MTRU, found that rather than reducing the number of lorries needed, all previous increases in vehicle dimensions did nothing to halt heavier, larger lorries doing more mileage and driving around with ever lower load efficiency. Heavier lorries use more fuel and so the lack of any efficiency improvements has meant more CO₂ emissions as a result. This evidence undermines the Government's justification for permitting previous increased lorry dimensions and questions the validity of current arguments for LHVs. see Figure 2 page and figure 5 page or total HGV traffic (measured as vehicle kilometres). (See figure 4 page 8 in attached MTRU report—Heavier lorries and their impact on the economy and the environment October 2007.

Despite several increases in maximum weight and volume, the average payload has fallen instead of rising which means that emissions per tonne carried have increased rather than decreased see figure 2 page 5 and Fig 5 Page 9 in report. The claimed environmental benefits of LHVs rely on very high levels of load utilisation—in excess of that routinely achieved within the haulage sector. Therefore at lower levels of utilisation the environmental performance of LHVs would be worse. German trials found that utilization below 77% in LHVs used more fuel and therefore more emissions than in HGVs.ⁱ

(ii) Cheaper HGV travel would encourage more use for a combination of reasons.

It would undermine railⁱⁱ and water freight which have far lower carbon dioxide emissions, better safety record and have the advantage of reducing road congestion.

Detailed examination of rail's bulk freight flows by EWS in May 2007 found that up to 40% of aggregates currently carried by rail could switch to road and almost 20% of metals traffic. Freightliner research found that the introduction of a "B-double" LHV capable of carrying a 40ft and 20ft box would precipitate the loss of up to 66% of existing rail volumes in the deep-sea container market.

Create extra HGV traffic through longer journeys, for example through more centralised distribution systems

(iii) Emissions from HGV traffic have grown significantly since 1990, by 25–30%, using the revised DEFRA assessment. HGV traffic is an important source of greenhouse emissions from transport, second only to cars/vans and to international aviation, (see figure 1 page 3 in attached MTRU report—Heavier lorries and their impact on the economy and their environment—October 2007

(iv) LHVs have safety dangers due to their size and lack of manoeuvrability.

The impact of these vehicles if they are involved in an accident will be proportionately greater because of their extra weight, with severe implications on braking distances, stability, manoeuvrability at roundabout for example, possible jack-knifing, overtaking and reversing complications. The DfT Focus on Freight Dec 2006 stated that because of their size and weight, when they are involved in accidents the level of injury tends to be higher with HGVs, (this is at the existing weight and length limits); In 2005, HGVs were twice as likely to be involved in fatal accidents as cars.ⁱⁱⁱ For example on major non built up single carriage roads a staggering 76% of articulated HGVs exceeded their 40 mph limit by 6mph on average, with 28% exceeding the limit by more than 10 mph in 2005. Even Bendy buses, which are 18 metres long, cause more than twice as many injuries as any other bus.^{iv}

(v) Restricting LHVs to dual-carriageways and motorways simply will not work as there is no mechanism to keep them to this. The reality is that these vehicles will need local access to distribution hubs.

(vi) The poor record of compliance with existing road regulations needs to be factored into any decision on increasing the existing weight and lengths of HGVs. For example on major non built up single carriage roads a staggering 76% of articulated HGVs exceeded their 40 mph limit by 6 mph on average, with 28% exceeding the limit by more than 10 mph in 2005.

See Freight on Rail LHV report April 2007 for more details.

(b) *Government national support for rail freight*

The support shown for rail freight in the Rail Strategy of July 2007 is most welcome. In particular the commitment of £200m towards the Strategic Freight Network. This level of support gives the industry confidence to make long term investments.

Network Rail produced the Freight Route Utilization Strategy in March 2007 which outlined in detail the schemes it deemed necessary for rail freight to play its full role in servicing the economy and reducing carbon emissions from freight distribution.

The Rail Freight Operators' Association has devised a series of schemes. These increase the capacity and capability of the national rail network, allow an increase in freight services and help productivity. In addition they will help the environment by allowing more freight to be captured by rail and provide better connection to the UK's international gateways.

CHANNEL TUNNEL ROUTES—GAUGE ENHANCEMENT TO W12 AND FULL EUROPEAN GAUGE-

FELIXSTOWE TO NUNEATON—CAPACITY

This work is even more important since the announcement that Crossrail will go ahead as Crossrail, as currently planned, will take away rail freight paths on the Great Western and Great Eastern mainlines making this route a vital alternative.

SOUTHAMPTON TO WCML—CAPACITY

SOUTHAMPTON TO WCML—DIVERSIONARY CAPACITY AND GAUGE

SOUTH HUMBERSIDE MAIN LINE—CAPACITY AND FLEXIBILITY

TRANSPENNINE ROUTES AND NEWCASTLE TO CARLISLE—GAUGE

FELIXSTOWE AND SOUTHAMPTON—TRAIN LENGTH

BARKING TO GOSPEL OAK TO WILLESDEN—CAPACITY AND ELECTRIFICATION

This work is even more important since the announcement that Crossrail will go ahead as Crossrail, as currently planned, will take away rail freight paths on the Great Western and Great Eastern mainlines making this route a vital alternative.

OXFORD TO BLETCHLEY—REOPENING TO PROVIDE ADDITIONAL CAPACITY AND DIVERSIONARY CAPABILITY

STOURBRIDGE TO WALSALL—REOPENING

HOPE VALLEY—CAPACITY

There is also an additional list of enhancements needed for Scotland which is on www.freightonrail.org.uk

(c) *Integration between land use planning and transport policy*

As well as support in national policy for rail freight the planning framework needs to promote and protect rail freight in Regional Spatial Strategies and Local Development Frameworks so that suitable rail sites and alignments are protected.

Planning White Paper—National Policy statements needed for freight

Need so that regional and local authorities will make policies which protect and promote rail freight. That is why Freight on Rail believes a national policy statement for rail freight is important to be used by both schemes under IPC and existing Town and Country Planning Act.

Lack of sites for Strategic Rail Freight Interchanges

Rail freight cannot prosper without a network of Strategic Rail Freight interchanges to enable more freight to transfer from road to rail.

When considering rail freight it is important to take into consideration that rail freight crosses local and regional authority boundaries and take account of regional and national benefits of rail freight interchanges as well as the local effects.

Protection of railway lands

Protection of disused alignments for possible rail freight services and diversionary routes is important as outlined in PPG13. Once railway sites and alignments have been lost they have gone for ever and society is now looking at ways of reducing carbon emissions for which the railways have an important role.

Regional Government changes

After the Government announcement that RDAs will take over the responsibilities for all regional strategies it is important that regional spatial strategies are fully integrated into the work of the RDAs. RDAs will need to have policies which in principle promote and protect rail freight and to give direction to local authorities to protect suitable sites for terminals and rail alignments for future possible use.

(d) *Partnerships needed to expand the railways*

All the parties such as Network Rail, the local and regional authorities, the unions, the TOCs, FOCs, and private sector including developers need to work together to achieve investment in the railways.

3. *Air freight in the South-East is forecast to grow from 2.2 million tonnes a year in 2003 to 14 million tonnes by 2030. Has the Department adequately planned for the capacity and access implications of this very significant growth? How will transport networks need to adjust to serve the growing air freight market?*

Having rail freight links at the main airports is an important start to reducing the carbon footprint of some of the products flown into the UK airports. With the exception of Heathrow which has a rail freight terminal set up to handle construction materials for the building of Terminal 5, no other airports have rail freight access.

4. *Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote 'free movement of goods'? How is this to be balanced with the Department's other commitments? What should be the priorities for the Transport Innovation Fund productivity stream?*

TIF Funding

We believe that the four existing rail freight schemes put forward for TIF funding represent good value for money

We are awaiting the outcome of four proposed key rail freight schemes:

- (a) Gauge enhancement Southampton-West Coast Main Line near Birmingham.
- (b) Gauge and capacity enhancements Peterborough-Nuneaton.
- (c) Humber ports/Immingham rail capacity enhancements.
- (d) Olive Mount chord, including Chat Moss, Liverpool.

We also believe that it is important that capacity improvements on the Gospel Oak to Barking and Felixstowe to Nuneaton route are included in the enhancements.

5. *How can the road safety record of haulage vehicles be improved?*

Better enforcement and stiffer penalties for contraventions of traffic regulations would lower the risks to the general public.

Examples of HVG speeding

On single carriage way roads, 5 axle or more HGVs with a speed limit of 40 mph had an average of 46 mph. Rates of speeding increase with vehicle size with vehicles of 5 or more axles 33 tonnes and over the worst offenders 29% of 5 axles HGVs exceeded the limit by more than 10 mph. Single carriageway roads with a 60 mph limit are in absolute terms our most lethal roads.

The survey also reveals a high incidence of speeding by HGVs on 30 mph roads. 44% of 2-axle HGVs exceeded the speed limit, 15% by more than 5 mph. This compares with 46% and 18% respectively in 2005.

Speed cameras not measuring speeding lorries on many road types

Speed cameras are calibrated to enforce the speed-limit that applies to cars, not lorries. This allows lorries to exceed their own speed-limits with impunity when these are lower than those for cars. This is indicative of the general behaviour of HGVs and of the difficulty in enforcement.

Rail freight success story

- 66% growth in tonne kms in past 10 years
- Surface market share now 12%
- One third of metal products in the UK are delivered by rail
- 25% of deep sea containers move by rail
- 80% of London construction stone is supplied by rail

Environmental benefits of rail

The report by the Logistics Research Centre of Heriot-Watt University for the Climate Change Working Group of the Commission for Integrated Transport has examined recent emissions data for the domestic freight transport market. In 2004, the best year for analytical results, all modes of domestic freight transport emitted a combined total of 33.7 millions tonnes of CO₂ into the atmosphere. HGVs accounted for 78.5% of these emissions, while vans contributed 13.3%. This is compared with waterway emissions which accounted for 6.8% and rail freight which contributed just 1.1%. Pipelines accounted for 0.3% and air, as a minor player in this market but with high emission levels, accounted for 0.1%. The report also stated that freight transport is responsible for just over 21% of all CO₂ emissions in the transport sector and roughly 6% of the total CO₂ emissions in the UK. In examining opportunities to cut CO₂ emissions, the report states that average CO₂ emissions per tonne-km are substantially lower for rail and waterborne transport than road and air. The reports author, Professor McKinnon, writes that “shifting freight to these more environmentally-friendly modes can therefore cut CO₂ emissions.”

Road congestion relief

- An average freight train can remove 50 HGVs from our roads
- An aggregates train can remove 120 HGVs from our roads—Network Rail

Attached reports

1. *Heavier lorries and their impact on the economy and the environment*—MTRU October 2007 (Not printed)
2. *Freight on Rail LHV Report* April 2007 (Not printed)

REFERENCES

- (i) Umweltbundesamt 2007 Hinterfrundpapier, Langer und schwere auf Deutschland Strassen: Tragen Riesen-LkW su einer nachhaltigen Mobilitat bei? www.umwelbundesamt.de
- (ii) Oxera Research for EWS found that up to 40% of aggregates and 20% of metals carried by rail could switch to road May 2007. Freightliner research showed that up to 66% of container traffic could revert to the roads.
- (iii) Focus on Freight December 2006 chart 5.2b Deaths/KSIs in accidents involving HGVs per million km travelled.
- (iv) From the *Evening Standard* 7 June 2007.

Memorandum from the Rail Freight Group (RFG) (FT 32)

1. Rail Freight Group (RFG) is pleased to submit this evidence to the Transport Committee Inquiry into Freight Transport.

2. At its highest level, RFG agrees with DfT’s stated role—that is facilitating the reliable and efficient movement of freight, whilst minimising its impacts RFG would not want to see an overly deterministic approach to the planning of freight services, and believes that, generally, an open and competitive private sector industry is best placed to deliver efficient freight distribution.

3. That said, Government clearly has a significant role to play in ensuring that this can occur. This includes areas such as planning policy, taxation, capital investment, and also other areas of regulation which affect freight movements. Whilst there has been good progress in some areas, RFG is concerned that there is a lack of an overall strategic direction within Government for modal shift.

4. This submission covers some general comments on Government's role, and then addresses the specific questions raised by inquiry.

ROLE OF DfT IN THE MOVEMENT OF FREIGHT

5. As set out above, at the highest level we support the DfT's role within freight transport. That said, the translation of that into specific areas of policy and the treatment of different modes is not always clear, or aligned to the overall role.

6. Within DfT, responsibility for freight and logistics (including rail freight grants) rests within the Safety, Service Delivery and Logistics directorate, specifically within Transformation, Licensing, Logistics and Sponsorship team. As the names suggest, this Directorate covers a range of disparate activities largely unrelated to logistics policy (including sponsorship of DVLA and VOSA).

7. We would have expected logistics to fit more readily within one of the three teams designed around the Eddington outputs—that is City Regions, Rail and National Networks or International networks. Within these teams, there is some consideration of freight (for example there is a small rail freight team) but overall, there is an apparent lack of alignment between areas.

8. For example, the Rail White Paper made no reference to rail freight grants but did discuss freight growth. We would have expected that the strategy would also have discussed the ongoing grant requirements to facilitate growth, and, even if not quantified, the expected reduction in grant rates as Network Rail's efficiency improves and the gauge clearance schemes are progressed.

MODAL SHIFT

9. Within DfT policy, there is no stated presumption towards modal shift. This was also reflected by the Eddington report which suggested that a comprehensive assessment of value for money should be the determinant of mode choice. We would however have expected a more sophisticated policy on modal shift highlighting (for example) the type of schemes which are likely to represent value for money. The Rail White Paper does go some way towards this with its discussion on freight growth potential, but does not specifically discuss modal shift.

10. Given the acknowledged carbon benefit of rail (and water) over road haulage, we would also have expected Government to play a more significant role in promoting modal shift. For example, the Freight Best Practice programme, which has been running for several years, (and arguably has achieved little that would not have happened commercially) is only now producing a modal shift guide.

11. We are aware that DfT are reviewing their appraisal techniques post Stern and Eddington. We are concerned that the current approaches favour road over other modes (for example in the treatment of taxation in appraisal) and the opportunity to ensure fair treatment of all modes in appraisal must now be taken.

TREATMENT OF FREIGHT WITHIN OTHER AREAS OF GOVERNMENT

12. Outside of DfT, the treatment of freight within other areas of Government can also cause difficulties between modes. For example, recent proposals from DEFRA would include fuel used in rail traction within carbon trading whilst fuel for road haulage was excluded. Given rail already has a superior carbon performance this is perverse, and is likely to make rail growth more expensive or difficult if introduced.

13. As described in paragraph 29, the Planning White Paper included road schemes within the reforms but excluded all rail schemes including rail freight terminals. This is likely to hinder even further the development of large scale rail freight interchanges without which rail freight growth will be constrained.

14. Generally this reflects a lack of understanding about freight and logistics within other areas of Government and suggests that DfT could be more effective in influencing policy in other Departments.

SUSTAINABLE DISTRIBUTION FUND

15. The Sustainable Distribution Fund is particularly important for rail freight. The REPS scheme within it principally supports the movement of intermodal boxes by rail and the now reopened FFG scheme is important in encouraging new traffic onto rail where capital equipment is needed.

16. The REPS scheme, and its predecessors, have supported the intermodal sector since privatisation and encouraged significant growth. As the sector has become more efficient, the grant rates have reduced, and value for money increased. (Grant is only paid for traffic moved, and only flows whose environmental benefits exceed the grant rate qualify, therefore value for money is guaranteed).

17. However, since April this year, there has been an emerging problem for grant applicants. The REPS budget was significantly reduced from previous years, and is now almost fully committed. This means that any operator seeking to grow traffic must either do so without grant, or apply for grant in the slim chance that some funds will be found from underperformance on other contracts. This is a clear disincentive for operators in seeking new traffic.

18. Further, the limited bid rounds, and the need in some cases to ‘underbid’ to secure grant adds further uncertainty for operators and customers. Actual grant rates become unpredictable, which makes it difficult to bid accurately for traffic.

19. We understand that it is not possible to have ‘open ended’ budgets for such schemes. However it is clear that the 2007–08 allocation is insufficient to encourage traffic growth and support the operators in seeking to grow their business. A modest additional budget allocation would be sufficient to ensure new traffic could benefit in the same way as existing. It would also help build business confidence.

20. It should be noted that in Scotland, such budget constraints do not exist, which is welcome. However, as many flows are cross border with the majority of the journey in England, this is not sufficient to compensate for a lack of budget at DfT even on Anglo- Scottish traffic.

21. As grant contracts are awarded for three years, the lack of budget this year is also likely to be perpetuated in the next two years. Any additional budget will need to be followed through.

22. Strategically, there is a disconnect between the operation of the grants programme and other areas of policy. For example, the Rail White Paper sets out the context for freight growth and the development of a strategic freight network. However it is silent on freight grants. We would have expected greater alignment between these areas.

AIR FREIGHT

23. Rail freight could have a significant role in moving air freight internationally, particularly from key European hubs. At present, there are a number of factors precluding this, including;

- i. Issues relating to freight access onto CTRL (including costs, pathing and performance regimes)
- ii. Ongoing issues relating to the Channel Tunnel (principally relating to access charges)
- iii. Lack of rail freight access to UK airports for internal and export air freight traffic

24. Government needs to continue exerting pressure to ensure freight is able to use this key international route in an affordable and efficient manner.

PLANNING INFRASTRUCTURE

25. For rail freight, the Department has now committed to a “Strategic Freight Network” to be defined by the industry. It has committed £200m towards this, and work is now underway to define what such a network is, and what schemes are the priorities for investment. This is a welcome step.

26. We still do not have clarity on the overall funding approach to freight infrastructure and particularly inland links from ports. The Rail White Paper, as well as the commitment above, repeats the “beneficiary pays” approach to funding which leads to significant developer contribution to rail links. As yet we have not seen such approaches used for road schemes. There should be urgent clarity on the approach to such funding, which should be equivalent in all modes to ensure fair competition.

27. TIF should continue to target schemes which improve productivity and efficiency in freight distribution. This includes links to ports and terminals, capability enhancements such as gauge or train length, and certain diversionary routes.

28. The funding for SFN complements the TIF funding. In itself £200m will not be sufficient to complete all the currently proposed schemes (for example the Felixstowe to Nuneaton upgrade) and TIF will need to make a significant contribution to such schemes.

29. The planning regime for rail freight is also in need of reform. Large scale rail freight interchanges struggle to gain planning permission and often face lengthy and expensive planning inquiries. The proposals in the Planning White Paper made no reference to rail schemes and as such offered little chance of improvement. Our response set out where we consider reform is required—in summary;

- (a) Including large scale interchanges in the scope of the proposed integrated planning commission,
- (b) Developing a national policy statement for freight logistics,
- (c) Introducing a regional tier of planning governance to oversee schemes where benefits were regional.

 CONTINENTAL EUROPE

30. As set out above, Government must continue to press for a satisfactory outcome to freight access on CTRL and through the Channel Tunnel.

31. UK rail companies are slowly gaining success in entering European rail markets. This has been frustrated by a lack of full compliance with the First Railway Package in some Member States. It is not clear the extent to which UK Government has pressed for full compliance across Europe, which would have a significant positive impact on the ability of UK companies to trade there.

FREIGHT QUALITY PARTNERSHIPS

32. Rail freight has not seen any significant benefit from freight quality partnerships. They have tended to be local in focus whilst rail tends to focus on the medium and long distance traffics.

ROAD SAFETY

33. RFG is not expert in matters of road safety but it is clear from published data that there is a widespread lack of compliance with existing regulations (for example, speeding, overloading, excessive hours etc). Such non compliance increases the safety risk, which is of paramount importance. It also keeps road haulage prices artificially low, to the disadvantage of rail where standards are more rigorously enforced.

34. For example, DfT statistics show that on major non built-up single carriageway roads, 76% of articulated heavy goods vehicles exceeded their 40 mph limit (28% by more than 10 mph).

35. DfT are currently studying the case for permitting longer and heavier lorries to operate (up to 83 tonnes). As well as the numerous other disbenefits, such a move is unlikely to improve the safety record of road haulage absent any other reform.

36. There are also serious implications for the rail freight business from such a proposal. Widespread introduction of such vehicles is likely to undermine the rail freight business and cause significant traffic loss back to road. Research by rail freight operators suggests that the introduction of 60 tonne, 25.5m lorries would be likely to;

- cause over 40% of rail business in the aggregate market to switch from rail to road
- cause nearly 17% of rail business in the metals sector to switch from rail to road
- precipitate the loss of between 27% and 66% of existing rail volumes in the deep-sea container market. This would render several routes untenable by rail due to loss of critical mass and reduced flexibility with a smaller portfolio of services. By 2025, between 500,000 and 1.1m boxes could be lost by rail.

October 2007

 Memorandum from the Freight Transport Association (FTA) (FT 33)

KEY MESSAGES

- The effectiveness, availability, reliability and cost of freight is a vital determinant of UK economic competitiveness.
- Freight transport is constantly improving its environmental performance and has already achieved substantial gains—though as always more can be done.
- There is an increasing need for international movements due to the restructuring of the economy.
- National HGV movement levels are now stable—it is private car use that is expected to increase in the years ahead.

INTRODUCTION

The FTA

1. The Freight Transport Association represents the transport interests of companies needing to move goods by rail, sea, road and air. These include retailers, exporters, pharmaceutical companies and others. FTA members consign over 90% of the freight moved by rail and over 70% of sea and air freight. They also use over 200,000 goods vehicles—almost half the UK fleet.

Contents of Evidence

2. This written evidence responds to the questions set out by the Committee in their press release announcing the inquiry into freight. Firstly, we have set out our view on the broad policy context freight is operating in. Then, to help explain how the logistics industry works and the issues affecting it we set out an analysis of issues in the three aspects of the supply chain: international, national and local. Finally we address the remaining issues raised by the Committee that are not dealt with elsewhere in the document.

FREIGHT: THE POLICY CONTEXT

3. Several major reports are currently the setting the guiding principles for freight policy.

4. The Eddington Report sets out the crucial role for transport in broader economic context. The Report underlines the restructuring of the UK's economy in recent years and the resulting off-shoring of manufacturing to Asia. These changes have led to re-engineering of UK distribution and supply chain patterns—and thus the increased need for international gateways. The needs of business for improved inter-urban routes for freight movements were also highlighted. The Report indicated that efforts should be focused on incremental improvements rather than grand new schemes.

5. Eddington referenced, and was influenced by, the Stern Review on the Economics of Climate Change. This report identified relative economic costs of measures aimed at managing the transition to a low-carbon economy. The Review took the view that the priority in transport is to bring down the costs of low CO₂ technologies so that they are competitive with fossil-fuel alternatives.

6. The Barker Review set out proposals for reforming the English planning regime to promote infrastructure investment. The restrictions in the planning system were one of the factors identified in Eddington restricting the UK's international competitiveness. The proposals set out in the Government Planning White Paper implement the proposals of Barker, including allowing the conclusions of Stern to be a core part of co-ordinated plans on the UK's infrastructure needs going forward.

Facts and Figures

- UK industry spends £70 billion per year on transporting goods by road and rail.
- 45% of every thing we spend on transport is spent on moving goods rather than people.
- Just over a quarter of a million people in the South East of England are either directly or indirectly employed by logistics.
- ONS Annual employment survey for 2006 shows that distribution and transport (all modes as well as supporting activities such as cargo handling and warehousing) employs almost 1 million workers in the UK. This represents 5% of all UK jobs.
- Approximately 309,000 people currently work as lorry drivers and 212,000 as van drivers.
- Skills for Logistics estimates that there are 15,000 unfilled lorry driver vacancies.

(sources: ONS Annual Survey of Hours and Earnings 2006, Skills for Logistics).

7. Finally, the recent Commission for Integrated Transport (CfIT) report Transport and Climate Change sets out a package of measures including cost efficiency, fiscal and best practice to meet the challenges of climate change. For freight, the report sets out how the use of best practice and practical regulations can achieve significant reductions in transport's emissions levels—helping achieve the goals of Stern without compromising the ambitions of Eddington.

8. As can be seen, these four key reports are integrated with each other, and FTA is in the happy position of supporting all of them. Through these measures the UK's economic competitiveness can be improved, whilst at the same time delivering substantial reductions in pollution.

Facts and Figures

- Overall carbon dioxide emissions from HGVs have been broadly stable since 1995.
- HGV fuel consumption (km/l) has improved by 11% since 1990, this whilst vehicle manufacturers have been meeting mandatory air quality improvements set by Europe.
- Freight fuel efficiency (measured in tkm/l between 1990 and 2005 has improved by 22%. This indicator captures improvements in vehicle fill, vehicle payload and reductions in empty running.

(source: DfT Transport Statistics GB).

9. FTA commends these documents to the Committee, and urges that they form the basis of public policy in the years to come.

ASPECTS OF THE SUPPLY CHAIN

1. *The International Supply Chain*

10. As set out above, Eddington underlines the vital role the international supply chain is playing in the UK economy. Off-shoring of production is generally anticipated to increase further in the future, enhancing the importance of this aspect of the supply chain to the competitiveness of the UK economy.

11. There are three ways for goods to reach the UK: sea, air and now land—the Channel Tunnel.

12. Sea continues to be the dominant mode for the UK's international trade—amounting to around 95% of the UK's visible trade. The priority for the future economic competitiveness of the UK is “unitized” freight—ie containers. The UK is increasingly relying on imported manufactured goods which are overwhelmingly moved in this form. This is especially true of imports from the Far East. The priority ports for these services are located in the Greater South East of the UK (Southampton, London and Felixstowe) as these are the potential “Ports of Call” for ships coming from the Far East. The UK is currently experiencing severe congestion at its container ports. Short sea container trade with Europe is also crucial—this utilises ports such as Dover as well as others more widely across the UK. It is also an alternative (though inferior) supply line for goods from the Far East through “feeder” services from continental ports.

13. Freight traffic through the Channel Tunnel accounts for about 4% of UK trade. The use of the tunnel for freight has remained static in recent years due to unsustainably high fees for rail freight movements.

14. The volume of freight travelling by air is very small—around 0.5%⁴² of the total. However, it has a high value—about 25% of the UK's trade by value.⁴³ Air freight has a disproportionate importance as it serves industries which are core to the UK's economic future as a service economy. These include the key industries such as electronics, telecoms, financial and business services. Air freight also serves industry where urgency is a key factor—pharmaceuticals and biotech industries as well as food products are heavy users of air freight. Reliability and predictability are also key aspects for such industries. Due to the increased sourcing of goods from abroad use of air freight will increase—this will be key to the UK future economic prosperity as outlined in the Eddington Report. The majority of air freight is carried in the belly-hold of passenger aircraft, rather than on dedicated freight services.

Facts and Figures

International freight:

- The GB consumer is increasingly reliant on imported goods. Between 1983 and 2003, the volume of international freight (imports and exports carried by international sea and air freight) lifted increased by 50% whereas the volume of domestic freight lifted within the GB (road rail water and pipeline) increased by 20% over the same period.
- The volume of imports moving through GB ports has increased by 60% and the volume of exports has increased by 20%.

(source: DfT Transport Statistics GB and Maritime Statistics).

Air freight:

- One fifth of all UK exports (by value) are carried by air but only accounts for 0.5% of international tonnes lifted.
- 2.37 million tonnes of freight were loaded and unloaded at UK airports in 2004, this compares to 1.59 million in 1994—an increase of 50%.
- Growth in air freight is constrained by the availability of capacity on passenger flights. The majority of air freight and parcels (around 70%) is carried in the baggage holds of passenger aircraft rather than on dedicated freight planes.
- Two thirds of the volume of UK air freight is handled via Gatwick and Heathrow alone, accounting for 80% of total air freight value. All London area airports take 75% of the UK's air freight although this has declined from 82% in 1994 as a result of more use being made of regional airports such as Manchester and Prestwick.

(sources: Civil Aviation Authority, DfT Transport Statistics Great Britain).

Issue: Port capacity

15. The UK's major container ports are current severely congested due to continuing growth in international containerised trade. This is resulting in increased costs through lack of competition,⁴⁴ and severe delays on both the ship and land side of ports.

Recommendation: Planning Reform. FTA recommends the Committee supports the proposals set out in the Government Planning White Paper. These reforms are vital for the UK to get the international gateways it will need in future. These proposals would be a significant step forward to providing the UK with the transport infrastructure it requires for the “free movement of goods”.

⁴² DfT *Focus on Freight*, 2006

⁴³ *Ibid*

⁴⁴ See charges such as Vehicle Booking Systems, Infrastructure and Security Surcharges at Felixstowe and Southampton

Recommendation: Government support for inland infrastructure. The UK Government is highly unusual in not funding 100% of inland connections for ports⁴⁵ and this makes investing in the UK's ports a less attractive option than it would otherwise be. The Committee should recommend that the Government use their final Ports Policy Review document to set out their commitment to funding rail and road connections.

Issue: Security measures

16. Increased security measures for sea and air freight post September 11th have caused delay and increased cost to international trade. Whilst safety is the highest priority, some security measures can add high costs without sufficient benefit. The US's requirement for 100% screening of all incoming cargo and in the UK the Home Office's Border Management Programme both add disproportionate costs to the activities of port operators, forwarders and shippers without achieving notable security benefits.

Recommendation: Assessment of cost/value of security measures. The Committee should urge the Government to constantly assess security proposals for real security achieved versus cost to trade. The UK should lobby internationally as measures taken by foreign governments impact UK trade.

Issue: Air freight and the environment

17. Whilst air freight is an economically vital service for the UK economy, it is also carbon intensive. FTA strongly supports measures to manage and reduce the environmental impact of transport. There is currently a debate about the provision of airport facilities given the polluting nature of this activity. Restricting infrastructure development is an economically inefficient way to achieve climate change objectives. Measures aimed at targeting specific environmental performance and facilitating the most economically efficient method of reducing the UK's total carbon footprint (not just within the transport or freight industries) should be adopted. Any unilateral measures taken by the UK would merely reroute air freight to European hubs such as Charles de Gaulle, Paris or Frankfurt. Goods would then be shipped to the UK by truck.

Recommendation: Market based regulation. The Committee should recommend the UK Government should continue to participate in EU discussions to involve aviation within the carbon trading regime and use such market based methods as the tool to reduce total emissions levels. Restricting airport capacity should not be supported as it is a blunt and inefficient tool to manage air freight.

2. *The National Supply Chain*

18. Goods tend to move from international gateways or sites of production to distribution centres across the UK. Exceptions to this would include products such as coal or aggregates which would move direct to their site of use. Distribution centres can be either national or regional, depending on the business model. They are placed to ensure that within constraints (eg drivers hours rules) they can be received and redistributed to customers' bases in the most economically effective method. That tends to place distribution centres close to transport infrastructure such as motorways, trunk roads and multi modal freight facilities.

19. Road: The dominant mode of transportation within the UK is road, accounting for 82% of all goods lifted. The amount of goods moved by road has increased by 75% since 1980, but appears to have been stable since 1995.⁴⁶ This is due to improved performance by the freight industry in areas such as vehicle utilisation and vehicle weights. This has resulted in a decoupling of freight traffic from growth in GDP. Users of transport services are placing greater emphasis on agile supply chains that are responsive to customer and consumer needs and can provide door to door services—demands which trucks and light vans are well equipped to respond to. Sectors adopting this approach to supply chain management, such as manufactured white goods, drink and foodstuffs, have become much more significant to the UK economy.

20. Rail: Rail freight, after a long decline, has seen a growth in the share of UK freight movements since the mid 1990's. This has been due to a reduction in rail freight costs through reduced Track Access Charges, the increased need for container service as production has been outsourced internationally, and improved rail freight services, resulting from competition in the rail freight market since privatisation. Increased unreliability of road services has also been a factor. The traditional market for rail is bulk commodities such as coal and aggregates, but the significant growth area is container traffic—of both industrial and consumer goods. The main strategic routes in the UK for container services are from the major container ports to the West Midlands and London, and north-south for domestic services from the Scottish central belt to the Midlands. These are the lines with the potential for growth.

⁴⁵ See appendix: UK Port Development

⁴⁶ DfT *Focus on Freight*, 2006

21. Water: Water also provides an alternative means for domestic freight movements in the UK. Of this, coastal short sea shipping forms the larger part, with inland waterways playing a small role for domestic movements.

Facts and Figures

Road:

- Every lorry load of goods arriving at a supermarket will be taken away by approximately 400 cars.
- Despite its dependence on the road network, lorries are not the biggest road users. 63 cars are registered for every goods vehicle over 3.5 tonnes.
- Only 1 in 18 vehicles on Britain's major roads is a goods vehicle over 3.5 tonnes, and only 1 in 9 is a van.

(sources: DfT Transport Statistics Great Britain, Society of Motor Manufacturers and Traders).

Rail freight:

- Rails share of GB freight movements has remained broadly stable over the last 20 years (8% of total tonne km); this compares to a 30% market share in 1960.
- Rail is used for movement of bulky freight such as coal and coke. In 2004 82% of coal and coke moved by rail compared to 53% in 1980. For other commodities such as agricultural products, road dominates; 86% of total was moved by road in 2004 (this share has remained fairly constant over the last 20 years).
- The movement of international containers by rail is also an essential element in the UK industry supply chain. The number of containers coming into UK ports has increased by 46% between 1993 and 2003. The number of goods vehicles coming into GB ports on ro-ro ferry services has increased by 59% over the same period.
- Rail freight volumes on services through the Channel Tunnel have declined by 45% since 2000.

(sources: DfT Transport Statistics Great Britain, Channel Tunnel)

Issue: Road Congestion and Journey Reliability

22. Rising demand for road space creates congestion and decreases reliability. Road congestion is already costing UK industry £20 billion⁴⁷ per year in delays, equivalent to £800 per year for every household in the UK. The problem of network reliability is most acute on industry's key trade routes, which are the UK's motorway and trunk road network. The UK needs a mixture of policy measures to address congestion. Further investment in road capacity is necessary, but FTA would also accept there is a need to better manage demand. We would therefore support proposals for a vignette on international HGV movements, as well as, depending on the details of any scheme, the use of road pricing. Any scheme would need to show clear benefits for the freight industry.

Recommendation: Selective Road Widening. Available funding such as the Transport Innovation Fund (TIF) should, for road transport, be focused on widening congested parts of the UK's key trade routes. This is not required to facilitate increased freight traffic. HGV journeys are in fact expected to remain stable in the medium term; increased road congestion is anticipated to come from increased private car use. The aim should be to reduce congestion levels and improve reliability at key points in the logistics network. The key routes are: M25; M4 (London to Reading); M1 (London to Leeds); M6 (Midlands to Manchester); M62/M60 (Manchester to Leeds). (see appendix: Freight Future for sources and further details).

Recommendation: Improved management and information regarding road incidents. The provision of reliable information for the freight industry on the state of the road network is an important provision. The Government should work with the Highways Agency to ensure the timely communication of such information, as this is an important operational tool for the whole of the freight industry. Police should demonstrate that they are using methods that lead to early restoration of important routes and that a robust system of diversions is developed for planning purposes.

Issue: Rail infrastructure restrictions

23. Rail infrastructure for freight is insufficient at present and holding back growth. Network Rail is unable to provide the seven day a week service modern distribution systems require. Costs continue to be high due to insufficient gauge clearance on strategic routes—restricting what loads can be moved and requiring expensive special rolling stock to allow containers to be moved easily. The Government have proposed in the Rail White Paper developing a “Strategic Freight Network”—this must be developed into a service standard of use to the industry. It will, as the Government acknowledges, require funding beyond the amount announced in the White Paper—both in amount and time-frame.

⁴⁷ Source: CBI

Recommendation: Guided public investment. The Government and Network Rail have done good work through the Freight Route Utilisation Strategy, TIF and now the awarding of £200m to develop a Strategic Freight Network in the Rail White announcements. Available funding streams (including TIF) should be targeted at providing a seven day a week, low cost service offering to rail freight operators on strategic national routes, with commitment to further funding being made available in the longer term. (See appendix: Freight Future)

3. *The Local Supply Chain*

24. The final leg of the supply chain is the local delivery:

- Deliveries to shops, shopping malls, restaurants, public houses, markets and retail parks;
- Fuel to garage forecourts;
- Equipment and supplies to offices and commercial premises;
- Raw materials and finished goods to and from manufacturers/wholesalers;
- Supplies to hospitals, schools, municipal and other public buildings;
- Building materials to construction sites;
- Refuse collection and disposal, street cleansing and maintenance; and
- Domestic deliveries and furniture removal.

25. Lorries play an indispensable role in this—servicing our towns and cities. The lorry’s unique ability to move freight literally from door-to-door determines its pre-eminent role in distributing goods at this level.

26. The Government has made clear its policies about the need to regenerate and revitalise our urban areas. Such policies are coupled with those which aim to reduce reliance on the private car, primarily by improving public transport and encouraging alternative modes such as walking and cycling. However, such measures are irrelevant to the movement of goods as industry’s reliance on the lorry for urban freight movement will remain undiminished for the foreseeable future. If policies to regenerate our towns and cities are to succeed, the importance of efficient and reliable access and movement for freight via the lorry must not only be recognised, but promoted at both national and local level.

27. The increasing use of home delivery of internet purchases is creating greater need for freight services to individual residencies. In the longer term this will logically create different local freight patterns.

28. Reconciling the need for access for goods and services with local social and environmental concerns is vital. Industry takes these issues seriously and has taken significant steps to minimise local nuisance when undertaking delivery operations in order to reduce the environmental impact.

29. For industry, forging links with individual local authorities is vital to facilitate good local supply chains, and Freight Quality Partnerships (FQPs) have been a key means of achieving this. FTA analysis shows that over 100 local authorities have either set up an FQP or expressed an intention to. As we would expect FQPs have achieved a mixed range of results with some more successful than others. Practical initiatives by various FQPs include:

- Production of commercial vehicle drivers’ atlases/maps for individual regions or local authority areas providing information on height, weight and access restrictions;
- Reviews of lorry signage to key industrial locations; and
- Improved loading/unloading facilities in specific urban locations.

30. The effect that FQPs are having could be seen as limited but this is possibly because expectations for them are set too high. Quick wins, such as those outlined above, assist in the movement of freight which benefits both industry and the general public. However, FTA’s experience is that local authorities are hamstrung when it comes to freight improvements due to a lack of resources—in personnel and funds to distribute. Local authority transport officers are keen to promote freight but struggle to overcome political obstacles because locally elected members will always tend to prioritise passenger transport.

Issue: Night-time Deliveries

31. Existing night time restrictions in urban areas have made the process of delivering goods and services to towns and cities increasingly difficult thus creating additional congestion during peak hours of the day which has further implications for the environment and economy. Such restrictions increase operating costs for industry and ultimately, the consumer. FTA has worked with DfT to produce tool kits for industry and local authorities work together on this issue to improve regulation and performance. These documents, entitled *Delivering the Goods*, are supplied as appendices. (Not printed)

Recommendation: Reviews Of Existing Night-time Restrictions. Industry accepts that restrictions were put in place for understandable reasons and that the total removal of “curfews” is neither practical nor appropriate. However, due to advancements in vehicle/engine technology and best practice, industry

believes that there is now a widespread case for greater flexibility in delivery times and calls for Government intervention to call upon local authorities to fully review all existing night-time delivery restrictions. In particular FTA would call for curfew periods to end earlier, allowing early morning deliveries.

Issue: Use of congested urban road space

32. Where bus priority measures use existing road space, goods vehicles are often accorded the same low priority as the private car. However, the problem of congestion affecting commercial vehicles has knock-on effects on local businesses and retailers with urban congestion leading to increased journey times, missed delivery slots and increased lorry miles. The urban economy and environment suffer.

Recommendation: Essential User Lanes. Essential user lanes are an efficient and proven measure for giving priority to essential vehicles (ie buses and lorries) in congested urban areas. Essential user lanes can improve journey times and reliability, make best use of road capacity and reduce lorry traffic on alternative routes. A review of existing bus lanes to identify locations where an “essential user lane” would make better use of road space, without impeding bus services, should be undertaken.

Other Issues raised by the Committee

33. FTA has addressed most of the questions raised by the Committee in their call for evidence in the body of this response. Our views on the remaining issues are as follows:

UK Government: influencing EU policy

34. The UK Government has taken a very positive leading role within the EU—shaping policy relating to freight in a constructive direction. EU policy has become more aware of competitiveness issues (through the Lisbon agenda) and the complexity of transport operations, so that a light touch approach has been adopted towards regulation. This is a change from policy initiatives in the 1990s, and the UK Government can take a large part of the credit for this. This has been seen in measures such as the review of the EU White Paper on Transport policy. The UK Government has also generally adopted EU regulations into UK law in a flexible and workable fashion, avoiding unnecessary burdens on industry.

Safety

35. Statistically the UK has the best safety record in Europe, and British registered HGVs are the safest vehicles on our roads. However DfT statistics illustrate that the condition of visiting foreign vehicles and their drivers’ non-compliance with drivers’ hours rules presents a significant road-safety risk. FTA has campaigned for many years to increase enforcement resources and has long supported the now imminent introduction of graduated fixed penalties and a deposit scheme that ensures sanctions against non-compliant foreign drivers using unsafe vehicles on our roads. FTA welcomed The Government’s announcement of an additional £2 million pound per annum funding to support increased targeting of foreign vehicles by VOSA. It is essential that limited resources should be used efficiently and VOSA’s OCSR (Operator Compliance Risk Scoring) scheme that effectively targets those operators with a history of non-compliance is a model that FTA believes should be adopted as best practice throughout the EU.

36. Fatal accidents involving HGVs have fallen by 23% since 1996. All severity accidents fell by 17%. HGVs all severity accident rate of 39 vehicles involved per 100 million vehicle kilometres compares to a car rate of 67.⁴⁸

37. FTA supports the Government’s ongoing efforts to export the UK’s safety record and governance of road transport to the rest of the EU.

Government and Logistics Programmes

38. Government schemes such as the Sustainable Distribution Fund are generally effective in helping establish services that reduce climate change emissions. This effectiveness is restricted however due to the time limits placed on such schemes by EU state aid rules. Particularly for rail this emphasises the importance of infrastructure investment to allow rail to be competitive with road with a minimum of Government support.

39. Other Government initiatives such as Freight Best Practice programme (www.freightbestpractice.org.uk) are highly successful in helping industry improve environmental and economic performance through changes to working practices. This approach holds the best prospect of improving the industry’s performance in this area.

⁴⁸ Source: Road Accident Statistics Great Britain 2006

Memorandum from North-East Combined Transport Activists' Roundtable (NECTAR) (FT 34)

INTRODUCTION

The North East Combined Transport Activists' Roundtable [NECTAR] is an open, voluntary, umbrella body, established to provide a forum in which the many organisations with an interest in transport in all its forms can develop a co-ordinated view on contemporary transport issues. NECTAR provides opportunity for the exchange of news, studies and information to organisations which support the use of sustainable, integrated transport and land-use policies designed to reduce the need to travel, and to minimise its environmental impacts.

Before responding to questions posed in the "Call for Evidence" document, we have three general points to make. In part, these repeat points made in our submissions to two earlier stages of the Ports Policy process—one in August 2006, the other in October 2006:

- (a) We think that, quite apart from measures to deal more efficiently with transport of freight of all types, the UK must work far harder to reduce the number of food miles that arise from present distribution of supermarkets and other food retail outlets.
- (b) We consider that far more should be done on a national, if not an international, level to discourage air travel of all types, and thereby to reduce the particularly high proportion of CO₂ emissions (and others) arising from air transport.
- (c) All transport modes produce adverse emissions, and some are more congestion-prone than others. If sea-borne traffic to and from the UK continues to grow—or even if it stays much the same as now—we think that mileage between port and final destination, be it rail-borne or carried by lorry, should be as low as possible. This means that ports in the north should be developed (especially in the Tees and the Tyne areas) to take over some of the work now done at ports in the increasingly-congested South-East of England.

QUESTIONS

1. *Is the Department's investment in logistics programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?*

I do not think that we can usefully offer a reply to this.

2a. *International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport. What more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail?*

The opening statement does not seem naturally to lead to the question below it, but—as we commented in our response last year to the "Ports Policy Review"—we think that air freight should either remain a very small part of the over-all total or be removed completely.

So far as modal shift from road to rail is concerned, we think that now is the time to:

- (i) increase the loading-gauge of many main-line rail routes to W10 or W12, the better to carry container traffic that arrives by sea at so many UK ports;
- (ii) support development of northern ports (especially the current proposal to enlarge Teesport, already equipped with good rail infrastructure), to minimise onward mileage of imported goods by whichever mode they are carried; and
- (iii) make the air freight industry pay full fuel duty and an environmental tax.

2b. *How can the Government encourage and incentivise further efficiency improvements?*

Possibly by reviving the system of financial grants to any rail initiative (for new sidings, for track-upgrading, for gauge-widening, for electrification in some cases, and for better-quality goods vehicle purchase) that would demonstrably remove from the roads a stated number of lorry-movements, or even avoid some air-freight journeys.

This could be seen either as pump-priming, to start off a process that became self-financing, or as a continuing necessary financial prop to cover direct costs of a service that would, in the long run (say 20 years or more), benefit the environment as a whole, even if, at operator level, it was unlikely to cover costs.

3. *Air freight in the South-East is forecast to grow from 2.2 million tonnes pa in 2003 to 14 million tonnes by 2030.*

(a) *Has the Department adequately planned for the capacity and access implications of this very significant growth?*

(b) *How will transport networks need to adjust to serve the growing air-freight market?*

We are extremely disappointed to see yet another example of “predict and provide”. We had hoped that it was a planning approach that had at last been put to rest. Forecasts are notoriously hazardous, even if they concern processes that would benefit a lot of people and improve the environmental health of the area in which they live. That any government would think of giving in so tamely to a statistical projection that, if implemented, would do grave damage to an area already so much worse environmentally than most other areas of the British Isles alarms and concerns us greatly.

It is difficult for us to judge whether the Department has planned adequately or not, since we do not really know whether such plans are based on acceptance of this trend, or—in our opinion, far better—on a vigorous campaign against growth of air freight, nation-wide and not just in the South-East. Such a campaign should feature rapid growth of alternative, land-based, sustainable modes of transport, and if that calls for unlooked-for expenditure, we think that it is the air-freight industry that should be made to pay this.

Insofar as the Department is not taking effective steps to discourage air freight to and from all parts of the UK, we consider that it is failing in its duty to everybody to improve the environment, including, of course, maintaining and improving air-quality in general.

4a. *Should the Department have more responsibility for planning and delivering integrated infrastructure which might promote “free movement of goods”?*

This question seems to combine two ideas unacceptably. “Integrated infrastructure” presumably means one or other of “road-plus-rail”, “fully-linked port rail facilities/road exchange areas” or similar. Where the “free movement of goods” (as distinct from what other sort?) comes into the picture we do not understand. But we do, in principle, support the idea that transfer of goods to and from cargo-ships for whatever purpose and whatever journeys should be as smooth and as pollution-free as is humanly possible.

4b. *How is this to be balanced with the Department’s other commitments?*

We are not in a position to answer this.

4c. *What should be the priorities for the Transport Innovation Fund productivity stream?*

Another question that hides behind jargon: “transport innovations” as such should now be those that significantly add to over-all sustainability—in other words, those that need minimal or no extra fuel consumption, on the ground that their introduction allows reduction of energy-needs, thanks to lower car/lorry use, or its total elimination, for instance. Possible examples here could be the network-wide loading-gauge enhancement referred to above (to W10/W12 levels) and the greater exploitation of the potential of the Channel Tunnel to take far more rail-borne freight than it does now.

Urban electric tramway proposals, turned down recently on cost grounds, may not have been under a TIF banner as such, but their expected effects in terms of modal shift, and of visible reduction in car-journey figures, would lead to lower use of non-renewable fuels. This, and not immediate profit-and-loss considerations, should always be a strong TIF priority.

5a. *How successfully has the Government influenced European negotiations regarding freight operators?*

To judge by the minimal quantity of rail freight now using the Channel Tunnel, compared even with a few years ago, the Government, insofar as it has been a party to negotiating how much to charge for access to the tunnel, has had no success at all.

5b. *How could the Government help to ensure a level playing-field between UK and overseas freight companies?*

Partly by ensuring that rail freight access charges reflect the needs of rail freight operators, and partly by investing in better rail infrastructure (including loading-gauge enhancement) and charging-regimes that promote Channel Tunnel through freight operations.

6a. *How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries?*

Some good ideas are emerging from the Tyne and Wear Partnership, in that it has published a map of preferred HGV routes around Tyneside. But in Tees-side, where rail freight is particularly heavy now, the Freight Partnership appears to be moribund.

[NECTAR is represented on both partnerships.]

6b. *Are the restrictions on night-time deliveries still appropriate?*

6c. *What impact would weakening the restrictions have on quality of life and other factors?*

We do not know what form such restrictions take, but we would not want any increase in, or introduction of, night-time deliveries. We would not wish for any noise nuisance to local inhabitants to be either introduced or increased, with disruption to the working-conditions and working hours of all involved, be they lorry/train drivers or ground (un)loading staff.

October 2007

Memorandum from Professor Alan McKinnon (FT 35)

Is the Department's investment in logistics programmes—including the Sustainable Distribution Fund—good value for money and meeting the objectives?

The Department for Transport should be commended for its pioneering work in the field of sustainable logistics. Its Freight Best Practice (FBP) programme is particularly innovative and few other countries have initiatives of comparable breadth and scale. Judging its cost-effectiveness is difficult, however. The estimates that have been made of the economic and environmental benefits accruing from driver training and company-specific advice, especially in the area of fuel efficiency, seem reasonably robust. The impact of FBP literature and benchmarking schemes is much harder to quantify as assumptions have to be made about the related level of behavioural change over different time-scales.

Truck simulators have been used, on an experimental basis, to train drivers in safe and fuel efficient driving techniques in both England and Scotland. Given the high cost of acquiring and maintaining these simulators, this form of training appears to offer a poor return by comparison with on-the-road driver training schemes, such as SAFED.

This question also raises wider issues about the availability and quality of statistics on the cost and environmental impact of logistics operations. It is now over 10 years since the last general survey was conducted of companies' logistics costs in the UK, comprising estimates of expenditure on warehousing, inventory and goods handling as well as freight transport. Lorry operating cost tables published by the major trade associations and in the trade press provide an indication of transport expenditure, but this gives only a partial view by transport mode and logistical activity. In managing their logistics companies trade-off transport costs against inventory and warehousing costs as, for example, in the application of the just-in-time principle. The cost effectiveness of the government's sustainable logistics programme might be more accurately measured if up-to-date survey data were available on the level and composition of companies' logistics expenditure.

A recent project undertaken for the Commission for Integrated Transport has revealed significant discrepancies in official estimates of CO₂ emissions from road and rail freight operations in the UK.⁴⁹ This reflects differences in the methodologies used and underlying assumptions. Given the importance now attached to carbon mitigation, particularly in the government's sustainable distribution strategy, it is important that a single agreed set of emission factors be compiled which accurately measure the carbon footprints of different types of freight transport operation.

How successfully has the Government influenced European negotiations regarding freight operations? How could the Government help to ensure a level playing field between the UK and overseas freight companies?

British road freight operators continue to pay much more for their fuel than their counterparts on the European mainland, entirely as a result of the higher fuel duty imposed in the UK. In an attached paper,⁵⁰ I discuss the extent to which this fuel price differential has distorted the market for road haulage services in the UK. If this anomaly is to be corrected at an EU level, it would be preferable in environmental terms for the rate of fuel duty in other member states to be levelled up to the UK rate. Research by the European

⁴⁹ McKinnon, A C. "CO₂ Emissions from Freight Transport in the UK" Commission for Integrated Transport (<http://www.cfit.gov.uk/docs/2007/climatechange/pdf/2007climatechange-freight.pdf>)

⁵⁰ McKinnon, A C. "Increasing Fuel Prices and Market Distortion in a Domestic Road Haulage Market: the Case of the UK" *European Transport*, issue no. 35, April 2007 (<http://www.istiee.org/te/>)

Environment Agency and by our research centre at Heriot-Watt University indicates that the taxes imposed on road haulage operations come much closer to internalising total environmental costs in the UK than in other EU countries. Attempts by the European Commission to harmonise diesel fuel duty across the EU have been relatively ineffective. Even if its plans to raise the minimum level of duty on diesel fuel over the next seven years were fully implemented, it would still only represent just over half the current duty rate in the UK.

In earlier written and oral evidence to the Transport Committee, I outlined a system of road user charging for lorries which could be used to “level the playing field” between UK and foreign-registered hauliers, in addition to meeting other transport policy objectives. This would be much simpler and cheaper than the LRUC scheme which the government decided to abandon in July 2005 and, unlike some of the time-based vignette systems that have been considered over the past two years, would have the advantage of relating the charge to the distances that lorries travel.

October 2007

Memorandum from Sea and Water (FT 36)

I. INTRODUCTION

Sea and Water is an organisation promoting water freight transport for domestic delivery of goods in the UK. With 11,000 miles of UK coastline and 2,000 miles of inland waterways, water provides a viable option for freight movement. Modal shift from road to water could help reduce congestion, and it would bring about considerable environmental benefits. However, water must be seen within the overall logistics chain, and it is necessary to work with other modes in order to secure and deliver sustainable freight transport.

This evidence aims to answer the question as to what more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail? Our answer is simple and straightforward: Government should have water in mind when crafting relevant policy proposals, and when deliberating on the issue of effective freight transportation. The potential for lowering carbon emissions and diminishing road congestion by means of making greater use of our inland and coastal waters is significant. However, we also recognise that it is imperative that the water freight industry play a more prominent role in marketing itself to the wider business community.

Sea and Water calls for:

1. An integrated freight policy which gives adequate attention to all modes and the way in which they can work together.
2. Investment in infrastructure to ensure that inland waterways can continue to be used for freight transport.
3. Preservation of wharf and port areas.
4. Consideration of water in the planning process to ensure that, where possible, sites can be served by water in their construction and continuing operation.

II. EVIDENCE: THE ROLE AND POTENTIAL OF WATER

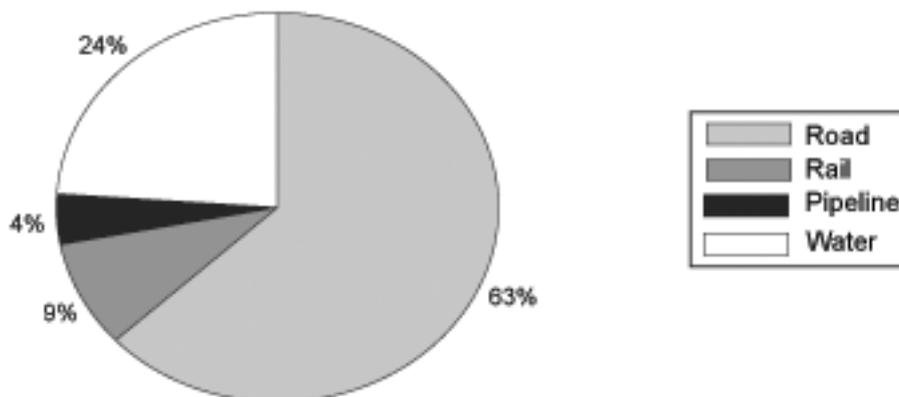
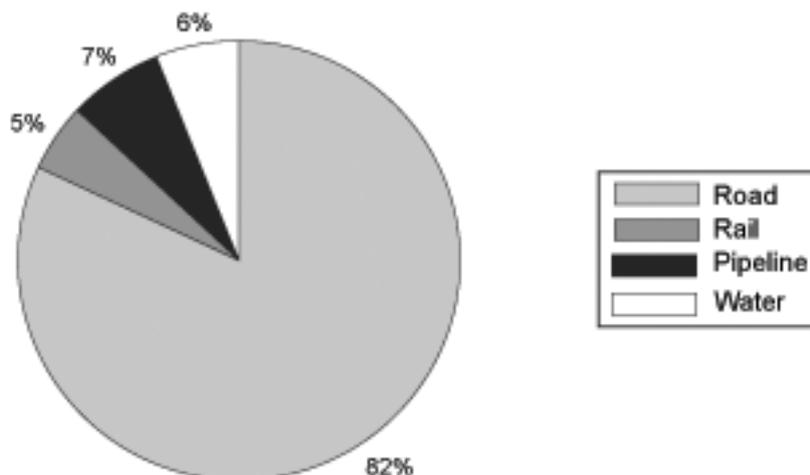
Within Great Britain, domestic water moves 6% by tonnes lifted and 24% by tonnes kilometres of freight. Its achievement in 2005 is that of 61 billion tonnes-km moved overall. Total traffic moved increased by 15% over the decade.

Table 1

WATER TRANSPORTATION WITHIN THE UNITED KINGDOM (b tonnes-km)

<i>Cargo Category</i>	<i>UK inland waters traffic</i>	<i>Coastwise traffic between UK ports</i>	<i>One-port traffic</i>	<i>Total</i>
Crude petroleum and petroleum products	0.3	30.3	16.6	47.2
Other liquid bulk		0.5	0.6	1.1
Dry bulk	0.7	5.0	0.8	6.5
Unitised	0.4	2.7		3.1
Forestry products	0.1	0.2		0.3
Iron and steel products	0.1		0.1	0.2
Other cargo		0.5	2.1	2.6
Total	1.6	39.2	20.2	61.0

Source: Transport Statistics Bulletin, *Water-bourn Freight in the United Kingdom 2005*, Department for Transport.

Figure 1: Goods moved in UK by mode 2005 (tonne kilometres)**Figure 2: Goods lifted in UK by mode 2005 (tonnes)**

Source: Department for Transport, *Waterborne Freight in the UK 2005*, (including one-port traffic).

However, as the following figures demonstrate, there is considerable potential to increase the percentage of water freight, particularly for coastal traffic:

- Coastal movements enjoy good opportunities because of the requisite infrastructure: navigation channels, ports and a coastal “ring-road” are already available. It is cost effective in terms of costs per tonne-km.
- Coastal traffic rose by 11% to 39 billion tonnes-km moved in 2005.
- Excluding crude oil, over 7 million tonnes of goods into the Port of London arrived by coastal shipping in 2005—saving millions of lorry movements from the congested roads.
- The largest share of coastal traffic was loaded in Scotland—26 million tonnes in 2005.
- Liquid bulk was the largest component of the coastal traffic.
- Coastal shipping makes a substantial contribution to long distance freight haulage along the length of the GB mainland.

TACKLING CLIMATE CHANGE AND CONGESTION IN THE UNITED KINGDOM

Moving more freight by short sea, coastal and inland transportation will deliver economic and environmental benefits to the UK economy.⁵¹ Taking freight off the roads will reduce road congestion, carbon emissions and therefore overall costs to the UK businesses. The latest data shows that:

- 25% of transport carbon emissions are from Road Freight (13MtC) in terms of energy per freight tonne-km.

⁵¹ All figures are based on a scientific research provided by Tyndall Centre (for Climate Change Research), Manchester 2007 and presented at the Annual Conference of Sea and Water in April 2007.

- 2% of carbon emissions are from domestic shipping (1MtC).

In terms of carbon per freight tonne-km in 2004:

- Road Freight was responsible for about 0.08 tonnes of carbon per 1,000 freight tonne-km.
- Water Freight was responsible for about 0.02 tonnes of carbon.

Road transportation has four times higher carbon intensity for moving the same number of freight tonne-km in comparison to the water freight.

Indeed, to reduce the climate change articles in the air and road congestion, a modal shift from road to water is advisable:

- To make a 10% carbon emission savings in the next 20 years, a shift of 25 billion freight tonne-km from road to water is required.
- This means a 16% reduction in road freight transportation and a 40% increase in inland waterways/coastal movements.
- The UK economy will save 1.4MtC.
- To achieve this carbon reduction by 2030, the domestic water transportation is expected to have an annual growth of 1.5%.

Overall, carbon emissions need to be reduced by 70% until 2030 in order to mitigate the global warming process. This requires a decrease of carbon emissions from 14MtC to 4MtC for the road and water transport.

The water freight transport will have to grow with a much higher annual rate than 1.5% to save carbon emissions by 70% until 2030.

SEA AND WATER MARKET SURVEY

In support of the above arguments, the Sea and Water market survey disclosed the attitudes and opinions of potential users towards water freight transport. The key findings were:

- 5% of those surveyed said that they actually used water transport to move their goods in the UK because of environmental concerns.
- 70% of respondents stated that they had a positive attitude towards using water freight as an environmentally-sustainable alternative to road.
- 92% ranked reliability of the transport mode as more important than transport costs (70%).
- Social factors such as pollution, road congestion, safety and environmental benefits ranked lower in the priorities of the decision makers.

The survey shows that the customers of transport services recognise the potential of water freight transport as an environmental alternative to road and are positive to its usage.

Furthermore, the survey identified that the retail sector suggests that recyclable materials and waste provides the best opportunity for water-freight transport, while ship and barge operators thought that building materials were the most likely trade. Therefore, there is considerable opportunity for increased volumes, particularly in the areas of recyclable materials, waste, containers and aggregates.

October 2007

Memorandum from British Waterways (FT 37)

INTRODUCTION

The Transport Select Committee is examining how successfully the Department of Transport is fulfilling its responsibility to facilitate free movement of goods while limiting harmful impact. As part of this inquiry it is weighing up whether the Department's responsibilities should be extended, to developing and implementing an integrated freight plan.

British Waterways' interest in this topic is most closely linked to the request for information on what "more can be done to promote modal shift from road and air freight to inland waterway, shipping and rail?"

BACKGROUND TO BRITISH WATERWAYS AND FREIGHT

British Waterways is a public corporation which manages and cares for more than 2,200 miles (3,540 km) of canals and rivers in England, Scotland and Wales.

Our sponsoring government departments are:

- The Department for Environment, Food & Rural Affairs in England and Wales.
- The Enterprise, Transport and Lifelong Learning Department in Scotland.

We also liaise closely with:

- The Department for Economic Development and Transport in Wales.

British Waterways' activities are largely governed by the Transport Acts of 1962 and 1968. These oblige British Waterways to maintain the commercial navigations suitable for carrying freight while the Government's main policy document on canals (*Waterways for Tomorrow*) stated the Government's aim to encourage the transfer of freight from roads to water-borne transport, where practical.

For more information about British Waterways please go to www.britishwaterways.co.uk

BUILDING CONSENSUS

British Waterways is committed to seeing more freight on its waterways where it is economic to do so and is aware of widespread calls for more freight to be transferred to inland waterways. These calls have in the past come from groups wanted to see waterways used for their original purpose.

However, the climate change and carbon emissions debate has given waterborne freight an added importance for the UK and the prospect of more widespread carbon trading in the future potentially will translate the limitation of carbon emissions into not just good corporate social practice but good business.

British Waterways believes that the aspect missing from current discussions of inland waterway freight is a full understanding of the real costs of the industry and the true environmental and social benefits it can offer, and that this crucially undermines efforts to move the industry and mode to a more sustainable footing.

There is very little consensus on the problems or solutions involved. This tends to dilute the efforts of those who support growth of waterborne freight and results in disparate, uncoordinated calls for more freight but very little inroads in a policy sense or translation into an actual increase in waterborne freight.

REPORT INTO WATERWAY FREIGHT COSTS AND BENEFITS

British Waterways recognises this problem and has recently been working closely with the disparate groups of freight supporters to reach a position where all have a full understanding of the dynamics of the industry (throughout its chain) and the necessary components for the industry to be sustainable.

British Waterways has sought to achieve this by commissioning the economic consultancy, Oxera, to study the issue of waterway freight and to examine in particular the various costs throughout the industry. "Cost" is the most important factor to understand in the industry as it largely governs enthusiasm for participation and thus expansion. This includes costs that fall on the navigation authority, freight barge operators, freight users and wider society.

British Waterways considers that unless we know where the costs sit within the system and where the advantages in comparison with road transport are (both in economic and wider benefits), efforts to secure the proper policy and funding framework for the industry will be poorly directed and ultimately ineffective.

The study then has sought to add clarity to the ongoing discussions and has looked at the industry from three core perspectives. These being:

- British Waterways perspective:

The study seeks to understand how freight impacts on the navigation authority and looks at British Waterways own experience as the basis of this. The study examines the costs incurred in carrying additional waterway freight for British Waterways—for example, operating lock gates and bridges. These marginal and incremental costs are estimated and compared with the revenues earned from freight traffic. Preliminary analysis suggests British Waterways freight tolls cover marginal costs but not incremental or fully allocated costs.

- Freight-user perspective:

Freight users of the waterway can generally choose to transport freight by road, and in some cases rail. Thus the demand for waterway freight depends on both the direct costs to customers of operating barges and the costs of the alternative modes of transport. These costs are examined and compared for a selection of case studies across the waterways to determine what cost advantages waterways offer and where these cost advantages come from. Preliminary analysis suggests that waterborne freight offers cost advantages in selected circumstances. These need to be preserved.

- Environmental and Social perspective:

All transport modes generate environmental and social externalities in the form of noise and pollution, for example. However, in most circumstances, transporting freight by waterways (or rail) generates substantially fewer externalities under current conditions than road. Government grants for assisting the switching of freight from road onto waterways (and rail) are linked to the estimated value of the reduction in externalities that this causes. However, the externalities associated with waterways are currently assumed to be equal to those of rail, which is unlikely to

be the case. The externalities for waterways are estimated and these values compared with current values. Preliminary analysis suggests waterborne freight offers environmental and social benefits but that they may be underestimated by current grant regimes.

LIAISON WITH STAKEHOLDERS

British Waterways is aware that it needs to avoid becoming just another organisation diagnosing the challenges facing the industry and prescribing the solutions, while a range of other organisations do the same with their own analysis.

Therefore we have begun a process of meeting a number of stakeholders connected to the industry to talk through the rough findings of the Oxera report and to get them to look at the content and methodology with a critical eye. The aim of this process is to achieve a position where a coalition of groups can jointly buy into the issues that the freight industry needs to overcome in order to move to a sustainable footing and the policies necessary to allow the industry to grow.

The Oxera report is intended to be the first step in this identification and a focus around which interested groups can engage with each other to build a shared platform.

Initial meetings have included:

- the Commercial Boat Operators Association;
- the Freight Transport Association;
- the Chartered Institute of Logistics and Transport;
- the Campaign for Better Transport (Formerly Transport2000); and
- the Inland Waterways Association.

These groups have been asked to contribute their thoughts on the initial draft of the report which are then being fed into the final version. This process will continue as we meet with other groups in the freight, navigation authority, business and environmental sectors.

PUBLICATION

The publication date for the final study is not yet set and is dependent in part on the series of meetings with stakeholders and how much revision stems from this engagement. Once the study is complete it will be published and British Waterways and other interested parties will ensure that the Department for Transport and the Transport Select Committee are made fully aware of the report and its findings. If the report is completed within the timeframe of this Committee's inquiry we will of course, submit it as evidence.

October 2007

Memorandum from the English Regional Development Agencies (FT 38)

1. EXECUTIVE SUMMARY

1.1 Freight Transport plays a vital role in supporting and driving sustainable economic growth across the English Regions.

1.2 The Department for Transport (DfT) has a key role to play in planning and delivering a national strategic and integrated transport network that enables the efficient and reliable free movement of goods and people within, between and across the English Regions, and sets the context for regional transport planning and decision making.

1.3 The RDAs endorse those schemes identified in the December 2006 Productivity TIF announcement and are looking to Government to make some early decisions regarding the delivery of these schemes.

1.4 Government should clarify future plans in relation to productivity TIF.

1.5 In order to reduce CO₂ emissions across the English Regions, Government needs to put in place policies which promote a reduction in road freight emissions alongside policy actions which encourage modal shift to rail, inland waterway and coastal shipping.

2. INTRODUCTION

2.1 This evidence is being submitted by Advantage West Midlands on behalf of the nine English Regional Development Agencies (RDAs). Our role is to help transform the regional economies by connecting need and opportunity to create better places in which to invest, work, learn, visit and live. RDAs take the lead on developing Regional Economic Strategies, which set the context for the sustainable economic development of the English Regions.

2.2 This evidence provides a collective view of the importance of Freight Transport in supporting economic growth across the English Regions. It is set in the context of the Regional Economic Performance Public Service Agreement which requires “Improve the economic performance of all English Regions and reduce the gap in growth rates between regions”.

2.3 The RDAs have identified transport as a top priority because it is a critical ingredient of successful and sustainable economic growth. The provision of high quality transport networks aid business efficiency and support productivity. Improvements in transport infrastructure can have a very significant and a relatively swift impact on business performance, and can enable longer-term improvements, through improved enterprise and innovation.

3. IMPORTANCE OF FREIGHT TRANSPORT TO SUSTAINABLE REGIONAL ECONOMIES

3.1 Freight Transport plays a vital role in supporting and driving sustainable economic growth across the English Regions. It is a key part of the supply chain and the performance of the sector directly impacts on the ability of suppliers, manufacturers, distributors and retailers to compete in the global marketplace. Increasing the efficiency of freight transport is directly linked to improvements in productivity which in turn support and promotes business competitiveness across the English Regions. In the period from 1989 to 2004, transport, storage and communications directly contributed 8.4% of the Gross Value Added (GVA) of the English Regions, demonstrating its importance to regional economies.⁵² The turnover of UK freight transport and distribution companies is projected to grow at between 4% and 5% over the next four years.

3.2 The freight transport sector employs a significant number of workers in a variety of roles and activities, ranging from warehouse operatives and goods vehicle drivers to senior executives. The number and value of jobs in freight and logistics has grown significantly in the 10 year period from 1994 to 2004. The number employed directly in the sector (excluding the operation of harbour and piers) has increased by more than 20% from 663,000 to approximately 800,000.⁵³ Current forecasts suggest that the total number of jobs in the sector will remain broadly static in forthcoming years as the increasing use of technology and automation of product handling will reduce the need for manual workers.⁵³ However, the volume of goods handled is still expected to increase in line with general trends over the last 25 years.⁵⁴

3.3 The skills profile of those employed in the sector is also changing. The proportion of highly skilled staff has risen over the same 10 year period. The number of managers in the sector has risen from 9% of the transport and logistics workforce in 1994 to 10.5% by 2004. Forecasts suggest that this will rise to 12.5% by 2014. Indeed forecasts expect an increase in the numbers employed in all job groups with the exception of machinery and transport operatives and elementary occupations, which are forecast to fall by 3.9% and 24.8% respectively. The value of jobs in the freight and logistics industry is therefore increasing.⁵⁵

3.4 The RDAs have collated a range of evidence about the importance of elements of the transport and logistics to the economies of individual regions. The express delivery industry in the East Midlands provides one example. This industry directly employs 4,700 people and supports a further 10,200 jobs in the region, generating £300 million GVA (taking into account indirect and induced multiplier effects). The sector's contribution to regional employment is expected to rise to almost 16,000 by 2014. The availability of express delivery services in the region enables other East Midlands companies to compete more effectively in the global market place and acts as an attractor of other business activity.

3.5 In the joint RDA response to the consultation on the Ports Policy Review we outlined the agglomeration and wider economic impacts that the hub activity of port operations have across the English Regions. An example of this is outlined in a review undertaken for the North West in 2003 where it was identified that 753 companies, employing over 17,000 staff were directly engaged in port related activities with a total turnover of £3.3 billion representing 3.3% of the region's GVA. Regional airports are also recognised as having agglomeration and wider economic benefits on sub regional economies. Indications are that inland multi modal terminals can lead to similar, although less intense agglomeration activity.

3.6 In the global market in which regionally based businesses now compete high quality access to ports and airports is a key enabler. The trend for increasing volumes of goods sourced overseas, particularly the Far East and Eastern Europe, is putting pressure on parts of the existing road and rail networks. The need for additional capacity at a number of the country's ports has been recognised by the ports industry and they have responded to this by planning and delivering additional capacity. However, these largely private sector driven initiatives to support the British economy, are being hampered by the lack of inland surface access capacity. The RDAs highlighted this issue to the Department in our response to the consultation on the Ports Policy Review, in which we also recommended that Government identify strategic port access corridors and use them as the basis for prioritising infrastructure investment to support economic growth across the English Regions.

⁵² National Statistics “First Release” Regional, sub regional and local gross value added (15 December 2006).

⁵³ Working Futures 2004–14 Sectoral Report.

⁵⁴ National Statistics and DfT Transport Trends 2006.

⁵⁵ Elementary occupations includes: Stevedores and goods handling staff, warehouse operatives etc. <http://www.statistics.gov.uk/methods—quality/soc/section9.asp>

4. IMPORTANCE OF A NATIONAL STRATEGIC AND INTEGRATED TRANSPORT NETWORK

4.1 It is essential that the regions are supported by high quality transport infrastructure which enables efficient access to global markets, and allows regionally based businesses to retain and grow their competitive edge. The DfT has a key role to play in planning and delivering a national strategic and integrated transport network that enables the efficient and reliable free movement of goods and people within, between and across the English Regions, and sets the context for regional transport planning and decision making.

4.2 The Planning White Paper proposals for national policy statements for major infrastructure projects place an onus on the DfT to produce modal transport strategies. The Eddington recommendations highlight the need for an integrated approach, which is endorsed by RDAs. In order to maximize the capacity and efficiency of the available transport networks it is essential that a multi modal integrated approach is developed. However, the initial indications are that this is not the approach being taken by DfT.

4.3 There is clear evidence that there is a direct link between the availability of transport connections and choice of business location. This is clearly mapped out when looking at the location choices for new warehouses from 1995 to 2003 (see attached Appendix 1). Demand for warehousing is directly linked to the key arterial routes and at national motorway intersections.

4.4 The national strategic road network is carry increasing volumes of vehicles. This is putting pressure on those networks, reducing journey times and consequently reliability with congestion having a direct impact on business productivity. Traffic on our roads has grown by an average of 4.3% per year since the 1950s. However, the pattern of road usage and traffic growth has changed over time, with a disproportionate increase in motorway usage compared with other roads. In the period from 1993 to 2007 there was a 2.9% increase in motorway traffic compared to a 1.6% increase on all roads.⁵⁶ Much of this growth is taken up by goods vehicles which travel 42% of their total distance on the motorway network, compared to less than 20% by other vehicles.⁵⁶ The cost of delay varies by business sector, size of vehicle etc with the average goods vehicle cost being £30 to £40 per hour. As a consequence the impact of congestion and delay on the motorway network will have a greater impact on the movement of goods vehicles and therefore implications for productivity and competitiveness.

4.5 The rail network is challenged by different issues. Following many years of decline, the volumes of freight traffic moving by rail is now growing significantly. Since 1999 there has been a 21% increase in rail freight, with 22.11 billion net tonne kilometres moved in 2006–07. Approximately 5% of the total UK freight lifted is carried by rail. This has remained relatively static since 1995.⁵⁷ However, the distance rail freight moves is increasing. Approximately 12% of the total freight by tonne km is now transported by rail.⁵⁸ Alongside this passenger demand is increasing significantly and, as envisaged in the Rail White Paper, is projected to grow further in the future. The combination of freight and passenger growth is putting pressure on the network, with pinch points at some locations. In addition, the industry trend to use larger containers means that many parts of the network, particularly on key arterial routes between container ports and inland destinations, are not able to accommodate the height requirements of the container trains.^{58 59}

4.6 It is therefore clear that there is a need to invest in key transport infrastructure, including intermodal terminals/logistics sites and links throughout the UK.

5. PROVIDING CAPACITY TO SUPPORT GROWTH

5.1 The RDAs welcomed the announcement of the Transport Innovation Fund, in particular the productivity stream. The RDAs responded to an invitation from the Department and jointly submitted a list of candidate schemes for funding from productivity TIF, in March 2006. At the DfT's request the list was comprised of schemes which could commence in the period 2008–09 and 2009–10, and was supplemented by detailed information from individual RDAs.

5.2 In developing the list the RDAs referred to the joint RDA research on Surface Infrastructure of National Economic Importance (SINEI), which had considered the links between transport and economic growth and we detailed additional criteria which should be considered in identifying and prioritising schemes for PTIF funding:

- improving connections between domestic and international business partners;
- improving access to domestic and international markets and suppliers;
- improving access to labour markets, and the movement of people;
- enhancing business efficiency and raising productivity by reducing “dead time” in the supply chain through improving journey time reliability and a reducing total journey time;
- improving access and connectivity between regions and key urban centres;

⁵⁶ National Statistics Transport Statistics Bulletin Road Statistics 2006 Traffic, Speeds and Congestion.

⁵⁷ National Statistics and DfT Transport Trends 2006.

⁵⁸ Network Rail Freight Route Utilisation Strategy March 2007.

⁵⁹ North West Ports Economic Trends and Land Use Study for NWRDA MDS Transmodal and Regeneris Consulting October 2005.

- improving links between peripheral regions and key cities and international gateways;
- improving opportunities for clustering of economic activity; and
- improving access to global city functions of London.

5.3 The National RDA Short Term Priorities were expressed in terms of themed headings and specific schemes.

- (a) Schemes which address congestion bottlenecks on the national strategic road and rail networks (in particular to improve capacity and reliability on parts of the motorway network which suffer daily congestion, and provide additional capacity at congestion hotspots on the rail network, including hub railway stations).
 - Active Traffic Management on congested parts of the M62 Junctions 25 to 28, M1 Junctions 21–30, Birmingham Motorway Box.
 - A14 Ellington to Fen Ditton.
 - Birmingham New Street Station.
- (b) Schemes which improve national road and rail freight routes (in particular to upgrade the rail freight gauge on parts of the rail network which provides access to key ports and address congestion hotspots on the national road trade routes).
 - Midlands to Southampton Rail Freight Upgrade.
 - Felixstowe to Nuneaton Rail Freight Upgrade (Ipswich to Peterborough, and Peterborough to Nuneaton).
 - Improvements to West Anglia Rail Network, including links to Stansted Airport.
- (c) Improve access to international gateways for passengers and freight, both ports and airports.

5.4 The RDAs endorse those schemes already outlined in the December 2006 Productivity TIF announcement and are looking to Government to make some early decisions regarding delivery of these schemes. We are also undertaking some work to review and update the previously submitted priority list. Alongside this we are working with the Highways Agency and Network Rail to develop the necessary evidence base to support delivery of schemes which enhance national productivity and increase regional economic opportunities.

5.5 The RDAs are currently receiving conflicting information about the future of productivity TIF funding, with some reports suggesting that it no longer exists and other reports that DfT are asking for a list of schemes that can be delivered in the period 2011–12 to 2014–15. Government should clarify future plans in relation to Productivity TIF.

5.6 The Rail White Paper announced £200 million to support a Strategic Freight Network. However, it is not clear how this funding aligns with Productivity TIF.

6. SUPPORTING LOW CARBON ECONOMIES

6.1 The RDAs have developed their Regional Economic Strategies to enable sustainable economic development. The RDAs are committed to supporting low carbon economic growth.

6.2 The RDAs support modal shift from road to rail, inland waterway and coastal shipping where it offers the most efficient and sustainable transport solution and can bring demonstrable environmental benefits. The CO₂ reduction benefits of rail freight are clear; tonne for tonne rail freight produces 90% less carbon dioxide than road transport. The RDAs are actively supporting modal transfer for rail freight and are working with Network Rail on developing schemes for rail freight gauge enhancement. However, modal transfer can only offer the solution for a limited volume of freight traffic given the capacity constraints of the rail and inland waterway networks and the time, cost and efficiency requirements of business.

6.3 The majority (64%) of domestic freight is currently moved by road.⁶⁰ It is estimated that 91.8% of domestic freight transport CO₂ emissions are generated by heavy goods vehicles and commercial vans.⁶¹ Therefore there is a need to look at other ways to reduce the CO₂ impacts of goods vehicles and vans. Research has identified that changes in operational practice such as transport collaboration, redesigning transport systems and larger vehicles,⁶² as well as fuel management and driver training⁶³ can deliver CO₂ emissions savings. The RDAs are supporting innovation in the automotive and associated industries. Our role is to support the delivery of low carbon economies through championing innovation in low carbon technologies and encouraging modal shift and sustainable operational practices.

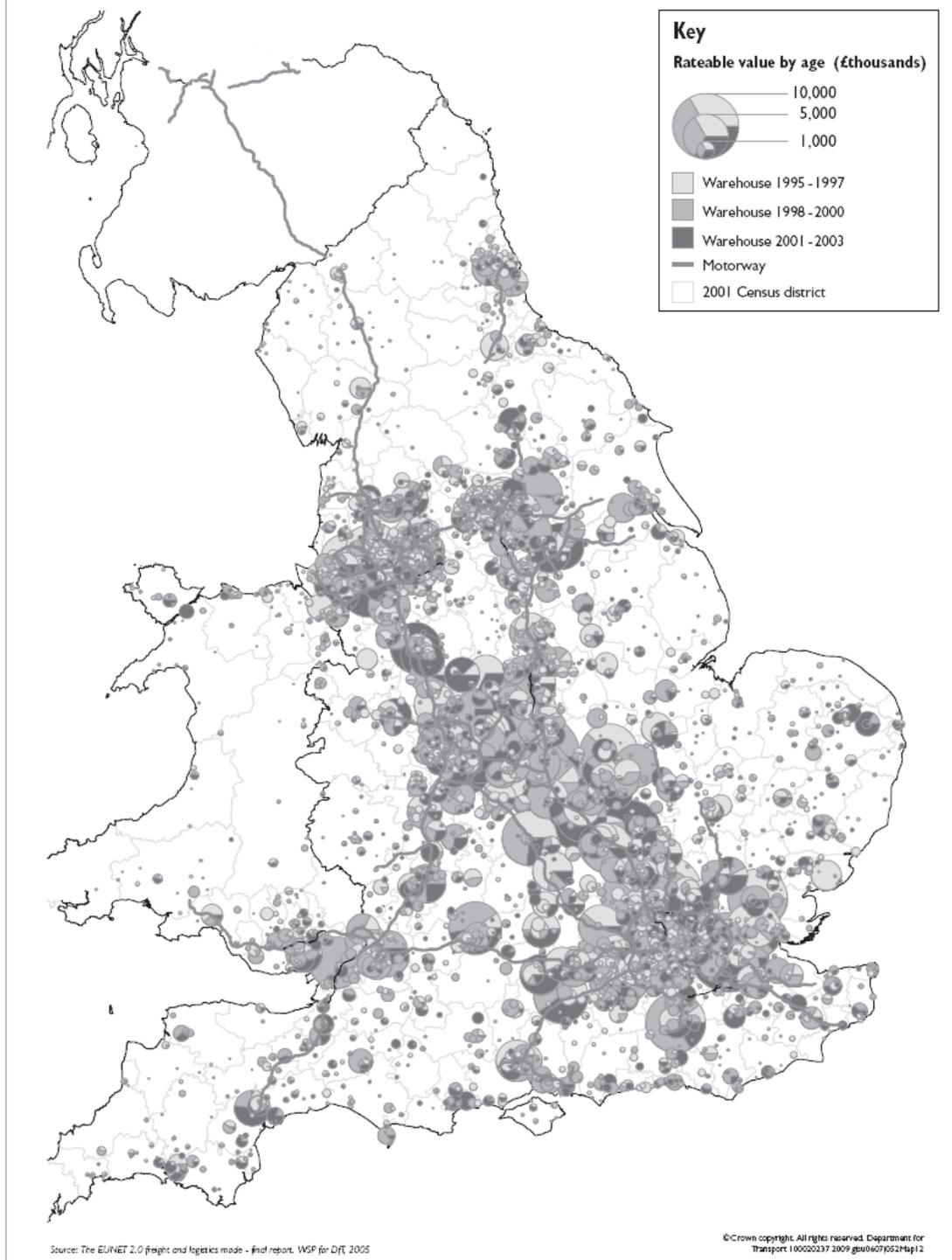
⁶⁰ National Statistics Transport Trends 2006.

⁶¹ CO₂ Emissions from Freight Transport in the UK—Report for Climate Change Working Group—Commission for Integrated Transport Professor Alan McKinnon.

⁶² Research undertaken by Faber Maunsell, Alan McKinnon and Andrew Palmer on behalf of Defra and the Food Industry Sustainability Strategy Champions Group on Food Transportation.

⁶³ DfT Sustainable Distribution, Freight Best Practice.

Figure I.17: Location of new warehouses with concentrations at motorway intersections, 1995-2003



October 2007

Supplementary memorandum from the Regional Development Agencies (FT 38A)

John Edwards Chief Executive of Advantage West Midlands gave verbal evidence on behalf of the nine English Regional Development Agencies to the session held on Wednesday 16 January 2008. During that session Graham Stringer MP asked "How much in total have the RDAs spent on encouraging freight to go by rail". Mr Edwards did not have the figures available and agreed to forward these to the committee.

Following consultation with regional colleagues it has been identified that the RDAs have contributed approximately £24 million to date on a range of freight related activities. This total sum includes both revenue and capital funding for activities such as research to inform the development of regional freight strategies, feasibility studies for gauge enhancement and capital works to deliver increased capacity.

The Department of Transport is the Government's delivery agency responsible for delivering transport accessibility and connectivity. The RDAs role is to lead the economic development of their region, working alongside a wide range of public, private and voluntary sectors partners to help the region prosper. Therefore RDA contributions to freight related projects reflects the economic benefits, rather than the transport benefits delivered by the project. The RDAs fund projects which have clearly identifiable economic benefits and enable the delivery of the regional economic objectives as set out in the individual Regional Economic Strategies (RESs).

As reflected in our earlier written evidence the freight and logistics sector is a proven contributor to, and enabler for, regional economic activity delivering jobs and the opportunity to improve competitiveness and inward investment through improved connectivity. As a major aspect of the supply chain, the performance of the sector impacts directly on the ability of suppliers, manufacturers, distributors and retailers to compete in the global market place. The efficiency of freight transport is directly linked to improvements in productivity which in turn supports and promotes business competitiveness across the English Regions.

The development of Regional Freight Strategies supports the improved efficiency both across transport networks, helping to reduce congestion, and operational business practice of freight and logistics operators. Rail freight gauge enhancements support modal shift from road to rail thereby contributing to the delivery of low carbon and sustainable development objectives included in the RESs.

The majority of the projects supported by the RDAs are delivered through a partnership arrangement with key regional stakeholder and delivery agencies.

February 2008

Memorandum from Central London Freight Quality Partnership (FT 39)

How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries?

EXECUTIVE SUMMARY

Freight Quality Partnerships bring together the public and private sectors to generate local solutions for local issues. The aim is to ensure that the Freight Quality Partnership's bottom-up approach facilitates communication, leading to buy-in from all parties, and to problem solving on freight and delivery issues. Freight Quality Partnerships are very well placed to contribute to the development of local economies through their inputs into local and multi-area agreements. We believe that if Freight Quality Partnerships are to achieve their long term goals they require embedding into the statutory transport and planning structures. The membership of the Central London Freight Quality Partnership showcases the wide range of organisations that have a vested interest in finding solutions to freight industry problems. The Central London Freight Quality Partnership has already tackled a wide variety of issues of interest to its members.

1. What can Freight Quality Partnerships do?

Freight transport and servicing activity underpins the economy of both the UK and central London. The Freight Quality Partnerships are the formal mechanism for bringing together the public and the private sectors to increase the efficiency and effectiveness of the industry, and hence the efficiency and effectiveness of the UK and central London economies as a whole. In central London this is assisted by the Freight Quality Partnership being managed by the Central London Partnership which is the public/private sub-regional partnership for the area.

2. *What makes Freight Quality Partnerships worth having?*

The key attributes of Freight Quality Partnerships is that they are flexible and “local”, working on an appropriate scale to achieve local results. A “one size fits all” approach does not work. The Central London Freight Quality Partnership has been operational for approximately 18 months. During that time it has facilitated:

- The establishment of the Freight Quality Partnership itself and the involvement of a wide variety of member organisations.
- Physical improvements in the street scene for transport operators eg improving loading and unloading space allocation.
- Liaison with the growing van operators sector in central London to address their specific issues and problems.
- The compilation and updating of the London Loading / unloading code of practice.
- Investigation into the introduction of out-of-hours deliveries.

The greatest challenge faced by local authorities is in understanding the complex and ever-changing web of supply chains that comprise the freight industry. It is only by initiating and improving dialogue between the public and the private sector that communication takes place and knowledge is gained. The Freight Quality Partnership is best placed to unpick these issues in a local context that will progress effective sustainable solutions to the local issues faced by the freight industry and the communities within which they work and which they serve.

The wide range of members of the Central London Freight Quality Partnership indicates the broad role that Freight Quality Partnerships can play. As well as local and national operators and local authorities, members include business and trade associations, pro-London organisations, the Metropolitan Police, Business Improvement Districts, industry support organisations, freight consultants and academia.

3. *What constraints are there on Freight Quality Partnership activity?*

To build on their initial growth, Freight Quality Partnerships require embedding within strategic policy frameworks at all levels. They should be referenced in integrated regional strategy/regional special strategies; Local Transport Plan/Local Implementation Plan guidance from government; and local/multi area agreements. This will facilitate greater private sector input into the statutory transport, planning and development processes leading to better outcomes.

Official referencing of Freight Quality Partnerships would lead to greater certainty of public sector funding. However, as the Freight Quality Partnerships develop and engage with more complex issues, there is no reason why they shouldn't act as a conduit for private sector funding, for both their core administration costs, as well as the programmes that they promote.

To assist this process it should be incumbent upon local authorities to employ freight specialists within their highways and transportation function.

4. *Central London Freight Quality Partnership (CLFQP)*

The Central London Freight Quality Partnership (www.centrallondonfqp.com) was set up by the Central London Partnership and Transport for London to elicit a common understanding of freight transport issues and to develop and create innovative solutions for the delivery and movement of goods relating to central London. It encompasses the seven central London boroughs of Camden, Islington, Lambeth, Southwark, City of London, Westminster City Council and the Royal Borough of Kensington and Chelsea. Since its formal launch event in March 2007 the partnership has subsequently grown to nearly one hundred members representing local authorities, freight operators, industry trade associations, industry support services, consultants, academia, London lobby groups, retailers, Business Improvement Districts etc. A promotional leaflet for the partnership, a recent activity report and a list of organisations that are members, or that have attended events organised by the CLFQP, is attached to this response, to provide more in depth information about the work undertaken by the partnership.

5. *How effective are Freight Quality Partnerships?*

Given the above, there should be clear and realistic expectations for the outputs from Freight Quality Partnerships. They have a mixed role, operating in both operational and strategic spheres and being involved in short, medium and long term freight issues. They will therefore have a range of both qualitative and quantitative outputs. Through involvement in local and multiple area agreements they have the potential to play a much wider role in supporting both local and national economies, which will lead to a greater appreciation of the essential task that freight performs.

Memorandum from Nautilus UK (FT 40)

1. INTRODUCTION

Nautilus UK is the trade union and professional organisation representing more than 18,000 shipmasters, officers, trainees and other skilled staffs working at sea and ashore in the maritime sector.

Nautilus UK welcomes the Transport Committee's decision to conduct an inquiry into the issue of freight and government transport policy. We are pleased to be able to contribute evidence to the inquiry, although we will largely confine our input to maritime-related issues.

2. THE CONTEXT OF THE INQUIRY

Nautilus UK firmly supports the Transport Committee's previous call for the government to develop an integrated freight plan. We have consistently argued the case for further measures to encourage greater use of waterborne transport as a means of moving freight into, out of, around and within the UK. As far back as 1968, a former general secretary commented: "Coastwise shipping can make economical use of our island situation. Motor roads are expensive to build and maintain, but the seaways provide natural traffic routes around the coasts and across to the Continent."

Britain remains, essentially, an island nation and around 95% of our imports and exports go by sea. There are more than 300 commercial ports around the country, and over 2,000 miles of rivers, estuaries and inland waterways capable of carrying freight. However, water transport is invariably overlooked as a way of cutting carbon emissions and reducing congestion in the nation's roads and despite the adoption in 2000 of new government maritime policies, the UK shipping industry continues to face severe unfair competitive pressures and our pool of maritime expertise continues to decline. Further action is urgently required if the benefits of any increase in waterborne freight movements are to flow through to the UK shipping industry and to British seafarers.

We believe that the case for waterborne transport is strong, but that existing initiatives promoted by the Department for Transport have failed to generate the desired increases in freight volumes being carried around the coast and on inland waterways. In many ways, key elements of government transport policy conflict with, or severely inhibit, the stated aims of reducing the impact of freight movement on congestion, safety, and the environment. Significant enhancements of support measures, and radical, proactive, programmes to fully harness the potential of waterborne transport are required.

In presenting our evidence to the Committee, we have sought to answer the following questions within the limitations of our scope of representation.

3. IS THE DEPARTMENT'S INVESTMENT IN LOGISTICS PROGRAMMES—INCLUDING THE SUSTAINABLE DISTRIBUTION FUND—GOOD VALUE FOR MONEY AND MEETING THE OBJECTIVES?

Nautilus UK is concerned that the Department for Transport's existing policy and support measures have failed to deliver the objectives of increasing waterborne transport's contribution to more balanced and sustainable freight movements. There are major challenges facing the DfT in the years ahead. Transport is the only sector of the UK economy in which carbon emissions were higher in 2004 than in the baseline year of 1990 and the only sector in which emissions are projected to be higher in 2020 than in 1990. Road congestion is already considerable, with one in nine of freight deliveries arriving late because of hold-ups and 25% of the most used motorways suffering from traffic jams. All projections suggest the situation is set to get much worse—with road traffic due to grow by a further 33% over the next 20 years.

Waterborne transport offers huge potential to alleviate such problems. Ships are an extremely energy-efficient means of transporting large volumes of freight, far outstripping both aircraft and lorries in the relation between energy consumption and cargo volumes. There is extensive evidence to show the environmental benefits to be gained by transferring more freight to water. The largest container ships can move almost 50 miles using the same amount of energy per tonne of cargo that a jumbo jet uses travelling less than one third of a mile. Freight can be carried on coastal ships and inland waterways with 80% fewer carbon dioxide emissions than from road haulage, whilst carrying cargo by water rather than road reduces nitrogen oxide emissions by around one-third. The "maritime motorways" around the UK do not need to be built and repaired, or require a costly infrastructure of support services. They can significantly reduce atmospheric pollution, noise pollution, road congestion, and visual intrusion, and permit high degrees of flexibility in routing and capacity.

There are numerous examples of waterborne transport projects in various parts of the UK that take large numbers of lorries off the roads—with the Thames offering a case in point. Cory Environmental's use of barges to carry waste from London to Essex cuts around 100,000 lorry movements a year from the capital. Water transport is particularly suited to the movement of bulk cargoes, unitised cargoes (containers and swap bodies) and non-perishable cargoes.

However, whilst the government has stated its desire to increase the proportion of freight carried by water, its own statistics suggest that it is not achieving success in this area. According to the Freight & Logistics section of the DfT publication *Transport Trends 2006*, the volume of UK freight moved increased overall by 47% between 1980 and 2005. Goods moved by road over this period increased by 76%, to now account for 64% of all goods moved (against 53% in 1980). By contrast, goods moved by water increased by just 13% between 1980 and 2005, and waterborne transport's share of overall freight movements actually reduced, from 31% to 24% over the same period.

Measured in terms of total weight of goods lifted between 1980 and 2005, road transport experienced a 34% increase and now accounts for 82% of all goods lifted, compared with 79% in 1980. The weight of goods lifted by water declined by 3% between 1980 and 2005, and now accounts for 6% of all goods lifted.

In 2000, British Waterways promised to double the amount of goods going on water by 2010. But by 2005, the amount had actually fallen—from 4.3 million tonnes to 3.4 million tonnes.

4. INTERNATIONAL DISTRIBUTION PATTERNS INVOLVING AIR FREIGHT INCREASE CARBON DIOXIDE BY UP TO 30 TIMES THAT OF SEA TRANSPORT

What More Can be Done to Promote Modal Shift from Road and Air Freight to Inland Waterway, Shipping and Rail? How can the Government encourage and incentivise further efficiency improvements?

The committee is correct to identify the significant environmental benefits to be gained through waterborne transport. Shipping moves large volumes of freight with significantly smaller proportionate emissions of key greenhouse gases than other modes of transport. By encouraging a greater volume of freight to be moved on water, the government will increase its chances of attaining policy goals to reduce UK greenhouse gas emissions, minimise pollution, make better use of transport infrastructure, and reduce noise and disturbance from freight movements.

The environmental benefits of shipping have been recognised for many years. In 1994, the Royal Commission on Environmental Pollution recommended measures to increase the proportion of UK freight carried by water from 25% in 1993 to 30% by 2000. Governmental concern about increasingly congested roads in the early 1990s prompted the commissioning of the report *UK Roads to Water*, followed by a study of the potential for transferring more freight from the road to the sea. This research identified the challenges facing such initiatives, including: the geographic concentrations of economic and industrial activity within the UK; long-term decline in core coastal trades such as petroleum and dry bulks; the cost of investment to upgrade existing facilities to commercial standards; and problems in competing with road transport over distances of less than 400 km. Nevertheless, it also identified the potential for around 3.5% of UK road freight to shift to water.

Roads have traditionally been provided by the public sector, with construction and maintenance funded through the government. Whilst the concept of road pricing may start to alter this principle, it remains the case that the cost of providing various transport modes needs to be assessed as part of the overall policy framework and potential support mechanisms. Similarly, Nautilus UK believes there is more scope for the government to reflect on the economic, social and environmental impact of road congestion when assessing the level of support available for waterborne transport. With a more realistic reflection of the social costs of road transport incorporated within freight user costs, there would be not only a more level playing field for waterborne transport but also a greater incentive for shippers to look at alternatives to the use of HGVs.

The DfT's own statistics—*Waterborne Freight in the UK 2005*—demonstrate the social value and the environmental impact of the Freight Facilities Grants for inland waterways and coastal/short-sea shipping projects. Between 1998 and 2005, a total of £47.8 million in grants saved a total of 1,368.6 million lorry miles. Worryingly, however, the number and value of the grants declined after peaking in 2001.

Water transport also needs to be protected and enhanced not only through grant schemes, but also through the planning system, regional development programmes and wider transport policy. Whilst shipping is a relatively inexpensive way of moving freight for considerable distances, costs can increase as a result of modal transfers and attention must be paid to increasing efficiency to facilitate the transfer from road to water. With growing pressure for residential development of waterfront areas, there is a pressing need for planning policies that identify and protect port facilities.

There is also a strong case for more support for R&D into ship design to develop fast, efficient and environmentally-friendly vessels that can contribute to reducing the saturation of the road network and overcoming some of the design, technology and operational hurdles that serve as restraints on shipping's ability to take more freight off the roads. There is an increasingly desperate need for major investment in port and inland waterways infrastructure, and support for this would help to improve efficiency and productivity, as well as harnessing technological advances—addressing some of the problems that presently inhibit increased use of waterborne freight options.

Concerns have recently been raised that the government is considering a dilution of its stated policy of preferring the use of water transport to move large abnormal indivisible loads (AILs) to avoid clogging up the roads.

The Commercial Boat Operators Association warned in September that the criteria for permitting the use of roads appeared to be being loosened.

Nautilus UK would also urge the government to take a more proactive role in promoting short-sea shipping and inland waterways. Research has demonstrated a considerable lack of understanding about the benefits that waterborne transport can offer, and more needs to be done to tackle such elements as the fragmented nature of logistics markets and low levels of awareness of the maritime sector. Further work is also required to more clearly identify potential markets for waterborne transport services and the ports or infrastructure improvements required to support increased and improved shipping services.

Nautilus UK is also keen to see action to overcome the obstacles—real or perceived—that inhibit the use of water as a greener way of moving goods.

We are worried that the often simplistic public and political debate over “food miles” fails to reflect the fact that the vast majority of food from abroad comes by sea and, as such, can have less of a carbon footprint than produce grown in the UK. There seems to be an automatic assumption that all food arriving from abroad comes by air. In fact, the vast majority comes by sea. However, whilst air freight accounts for just 0.1% of total food miles, it generates around 13% of total food transport CO₂ emissions. Carrying a kilo of produce by air from South Africa, for instance, would generate 15 kg of CO₂. Take it by sea, and the figure is just 0.1 kg.

Any genuine reckoning of the environmental impact of food miles requires much more than a glib assumption that all transport is bad. All the available evidence shows that using shipping is a sustainable system that can bring benefits not only to consumers but also to producers in developing nations. We need to beware of the food miles movement being used in a way that threatens international trade and the sometimes, fragile export markets in many nations.

4.1 Air Freight in the South-East is Forecast to Grow from 2.2 Million Tonnes a Year in 2003 to 14 Million Tonnes by 2030—Has the Department adequately planned for the capacity and access implications of this very significant growth? How will transport networks need to adjust to serve the growing air freight market?

4.2 Should the Department have more responsibility for planning and delivering integrated infrastructure, which might promote “free movement of goods”? How is this to be balanced with the Department’s other commitments? What should be the priorities for the Transport Innovation Fund productivity stream?

Nautilus UK wishes to address these questions as one, within the context of our maritime perspective. We would emphasise our evidence to the Transport Committee’s inquiry into the UK ports industry, in which we expressed profound concerns about the government’s “hands-off” approach to port policy and development. This inquiry exposed some serious shortcomings in the DfT’s approach to safeguarding port facilities from development pressures and to the development of an over-arching national ports policy that reflects wider regional, social, economic and environmental needs. The government’s stated adherence to free market principles in port development fundamentally compromises its attempts to promote a more rational use of waterborne transport. It threatens to exacerbate existing port congestion problems, which in turn provide greater disincentives for modal transfer. The development of waterborne transport as an alternative to road freight is seriously inhibited by the comparatively poor road and rail links to many key UK ports, and this issues needs greater attention in terms of support approaches.

There is a need for strategic direction and vision to support the policy goals of increasing waterborne freight volumes. The Transport Committee identified the way in which the development of an integrated freight plan would help to realise such targets, and to identify and address some of the existing obstacles to greater use of coastal shipping and inland waterways. Similarly, the need for a “joined-up” approach—with responsibility for inland waterways transferred from Defra to the DfT—is also essential.

The importance of strategic policy direction is all the more important given the proactive approach taken by many other EU member states. Back in 1970, the National Economic Development Council report on shortsea shipping stated: “We have an impression that some of our other European competitors regard their ports as strategic points of industrial and commercial development—in our opinion wisely—whereas we may be in danger of missing our own opportunities to achieve the same results”. Nautilus UK is concerned that this statement is as true now as it was some 37 years ago.

5. HOW SUCCESSFULLY HAS THE GOVERNMENT INFLUENCED EUROPEAN NEGOTIATIONS REGARDING FREIGHT OPERATIONS? HOW COULD THE GOVERNMENT HELP TO ENSURE A LEVEL PLAYING FIELD BETWEEN UK AND OVERSEAS FREIGHT COMPANIES?

It’s almost a decade since the European Commission first came up with the concept of motorways of the sea, to cut congestion on major road routes by making more use of short-sea shipping. The proposals were detailed in a 2001 transport policy white paper and given further substance in the “Motorways of the Seas” plans produced in 2003, which identified potential services in SW Europe, SE Europe, western Europe and the Baltic as a pivotal part of the concept. France, Spain and Italy were quick to embrace the plans, and have put forward various projects to encourage the use of shipping in place of busy, congested and “bottleneck” road routes.

The Commission's plans were pre-dated by a pioneering Italian project in the 1990s. The Autostrada del Mare scheme sought to relieve congestion on land by running a five-ship freight ro-ro link between the north and south of the country. The strategic vision behind such a scheme offered a positive example of the benefits to be gained from modal shift.

However, the UK seems to have been stalled on the hard shoulder of the maritime motorways concept and only now is it even starting to invite proposals for operating such services. Although ministers have stated support for the "maritime motorways" principle, they have refused to identify key UK ports to be linked to such schemes on the grounds that this would interfere with the commercial market.

6. ADDITIONAL POINTS

Nautilus UK believes that, in adopting more proactive policies to promote the use of waterborne freight transport, the government could help to achieve some of the goals of its maritime policies. We are seriously concerned at the long-term decline in the UK-flag fleet share of waterborne freight movements around the UK—down from more than 35% in the mid-1980s to just 12% in 2005. The increasingly extensive use of foreign, often flag of convenience, shipping in our coastwise and one-port traffic trades presents a number of worrying developments—raising questions over safety and welfare, seafarer employment, training and shipboard conditions, as well as on the economic and strategic implications. More attention should be paid to these issues, and to policy measures to boost the role of British shipping and seafarers in this sector.

7. CONCLUSION/RECOMMENDATIONS

Nautilus UK believes that waterborne transport offers a vast, but largely untapped, potential to ease some of the pressing problems that face the government in terms of freight transport. To ensure that this potential is properly harnessed requires strategic vision and radical action by the government. Nautilus UK believes the following measures are necessary to ensure that the social, economic and environmental benefits of waterborne transport are developed:

- Economic incentives/disincentives to encourage the use of coastal shipping and inland waterways for freight movements and to reflect the externalities of road transport.
- Improve government support measures for the development of new waterborne freight services.
- Safeguard existing port and dock freight handling facilities.
- Support investment in improved port infrastructure and road and rail links to port facilities.
- Support research and development into new and improved technologies and operating systems for waterborne freight movements, research into potential new coastal shipping services, and into enhanced modal transfer methods.
- Support initiatives to promote awareness of maritime transport as an option for freight movements.
- Identify and develop UK ports and services that could form part of European "motorways of the sea" programmes.
- Improve government support for UK coastal and short-sea shipping, and enhance the training support for UK seafarers.

October 2007

Memorandum from Faber Maunsell (FT 41)

INTRODUCTION

1. Faber Maunsell is an award-winning, international consultancy specialising in buildings, transportation and environmental services. With an outstanding reputation for quality and innovation, we are directly addressing today's major sustainability challenges throughout our work. With an annual turnover in excess of £160m, we employ more than 3,000 people through a network of over 30 office locations across the UK and Europe.

2. We derive additional strength from our parent company AECOM. One of the world's largest providers of professional, technical and management support services, they are responsible for some of the most complex and demanding projects currently being undertaken globally.

3. Faber Maunsell is one of the UK's most experienced and respected transportation consultancies, delivering a portfolio of services that extends from high-level strategy development and demand forecasting to project design and construction management. Our clients include central and local governments, national agencies, transport operators, developers, banks and construction companies.

FREIGHT TRANSPORT

4. Amongst the varied work Faber Maunsell undertakes relating to the issues that the Committee is considering we believe that here is an issue that we have pertinent and relevant information. It relates to the question: How effective are the Freight Quality Partnerships in improving the local experience of freight and deliveries?

5. Our experience supporting the local authorities in Tyne and Wear in researching, creating and operating a Freight Quality Partnership has been almost entirely positive with a series of widely supported practical actions delivered in an effort to ensure more appropriate HGV routing and more efficient route finding. The appended document was prepared to highlight the work of the Partnership and is a comprehensive record of its actions.

CONCLUSION

6. The work undertaken by Faber Maunsell suggests that Freight Quality Partnerships can be effective in improving the local experience of freight and deliveries but only when decisions are based on clear evidence of current freight operational practices, relevant stakeholder groups are engaged and that engagement maintained over the longer term and where the resultant “call to action” to the freight industry is communicated effectively and repeatedly.

ENGAGING WITH FREIGHT—THE TYNE AND WEAR FREIGHT PARTNERSHIP

Faber Maunsell

1. INTRODUCTION

The Tyne and Wear Freight Partnership seeks to understand the problems and issues in terms of freight movement and sets a coherent strategy and mechanism which they can address through. The Partnership brings together transport operators, industry representatives, local authorities, the Highways Agency and key local stakeholder groups to facilitate delivery of an action plan which is targeted at improving the efficiency, safety and sustainability of freight movement.

This paper outlines the policy context to the work, before setting out the process of establishing and developing the Freight Partnership. The work undertaken on providing routing information is explained, including the production of a freight map for Tyne and Wear and detailed tailored maps for individual destinations. Reviews of signage with respect to freight are then discussed along with the progression/implementation of the recommendations. The paper continues to look at a review of priority lanes in Tyne and Wear, the provision of lorry parking, assessment of rail freight and the communication techniques used by the Partnership.

2. POLICY CONTEXT

“*Sustainable Distribution: A Strategy*” (1999) still provides the overarching Government guidance. The document highlights the importance of efficient freight distribution, but stresses that this should not be at the expense of the wider community and environment. It sets out a framework for working with the industry, local government and others in achieving sustainable distribution. At a local level, the strategy promotes the development of Quality Partnerships between local authorities the freight industry, business communities, residents and environmental groups.

Further to this, the Department for Transport has issued guidance on “How to set up and run Freight Quality Partnerships (FQPs)”. This sets out how to initiate FQPs and includes guidance on identifying action plans on the basis of the issues and problems, together with advice on maintaining momentum and monitoring/evaluation.

Local Transport Plans (LTPs) are key documents in setting transport policies at a local level and delivering an effective programme of investment. The “*Full Guidance on Local Transport Plans*” (2006) stresses that in developing their programmes, authorities are expected to show that they have considered the services and facilities they provide to all users of local transport networks. It is emphasised that LTPs not only provide for those who are traditionally given prominence in transport planning, but other users including freight and distribution vehicles. In Tyne and Wear, the LTP has provided the platform for the launch and development of the Freight Partnership.

3. SETTING UP THE PARTNERSHIP

3.1 *The Nature of Freight*

In 2004, Faber Maunsell undertook a study on behalf of the Tyne and Wear LTP team to investigate the nature of freight in the area. The aim of this project was to provide a solid foundation for the development of a realistic and deliverable freight strategy.

This study provided a snapshot of the nature of freight movements in a selection of locations. Its purpose was to provide a better understanding of how freight transport operates and raise awareness of the problems and issues faced by the industry.

Key findings of the study are summarised below:

- Locations causing concern in terms of congestion were identified. This included the A1, particularly around the MetroCentre and Team Valley Industrial Estate.
- Goods vehicles were generally found to use the most appropriate routes, but there were some instances where this was not the case.
- The No-Car lanes in place were found to be popular with freight operators, but the operational issues and performance were not well understood.
- Signing with respect to freight was good overall, but wayfinding was found to be more difficult in town and city centres and within large industrial estates.
- There was a lack of foreign language information, despite the increase in foreign drivers over recent years.
- There was a shortage of driver rest facilities in the area, with the Newcastle NT Truckstop at Birtley and Washington services being the only formal lorry parks.
- It was considered that a Freight Partnership could provide the mechanism for delivering a range of actions, but careful consideration with respect to the operation of the Partnership was required.

3.2 *Launch of the Partnership*

In April 2005, the Tyne and Wear Freight Partnership was launched at a consultation event held in Newcastle. The event was successful in bringing together transport operators, industry representatives (Road Haulage Association and the Freight Transport Association) along with key delivery agencies, including the five local authorities and the Highways Agency.

It was agreed that the aim of the Freight Strategy should be “to improve the efficiency, safety and sustainability of freight movement in the region”. Importantly, there was a consensus that the Partnership should work to a clearly defined action plan, focusing on the delivery of tangible outputs. This was considered important to achieving continued support from a cross section of organisations and fundamental in ensuring that the Partnership would not merely become a discussion forum.

The consultation event included discussion on potential “Do Now” and “Do Soon” tasks to be included in the action plan. It was agreed that the following tasks would be undertaken in the first year:

- Establishing the Freight Partnership/set up communication links, including quarterly meetings and newsletter.
- Agreeing a lorry routing strategy across Tyne and Wear.
- Producing and marketing a freight map.
- Reviewing signage with respect to freight across Tyne and Wear.
- Assess the case for provision of freight driver information boards at key points in the area.

Other tasks identified under the “Do Soon” category included:

- Assessment of Priority Lanes (including No-Car lanes) in Tyne and Wear.
- Review the provision of lorry parking facilities.
- Assess the case for the development of a Consolidation Centre.
- Promotion of driver training programmes.
- Review delivery arrangements to town and city centres.

3.3 *Operation of the Partnership*

The Partnership is currently overseeing the delivery of the Year 3 (2007–08) Action Plan. Its role is to review progress towards delivering identified tasks and to inform the direction and scope of the work carried out. The range of organisations it encompasses enables it to provide a strategic steer, as well as providing valuable detailed information required for undertaking components of the action plan. Minutes of each meeting, including agreed actions are recorded and a newsletter is produced which is circulated to a wider distribution list of over 40 operators.

Progress in the delivery of actions has been borne out by the attendance at the Partnership meetings, which has grown from an average of 14 attendees in 2005 to 18 attendees in 2007. Organisations who regularly attend the Partnership meetings include:

- AG Barr.
- Co-op.
- Elldis Transport.
- Freight Transport Association.
- Highways Agency.
- Gateshead Council.
- Government Office North East.
- Newcastle City Council.
- Newcastle Chronicle.
- North East Transport Activists Roundtable.
- North Tyneside Council.
- Road Haulage Association.
- South Tyneside Council.
- Sunderland City Council.
- PD Ports.
- Port of Tyne Logistics.
- Tyne and Wear Local Transport Plan Team.

4. ROUTING

4.1 *Introduction*

As discussed, the development of a lorry routing strategy and the production of a freight map were identified as “Do Now” actions at the launch of the Partnership. This was progressed and completed in the first year of the Partnership and provided a foundation for further developments to be made with respect to freight mapping. This has included the development of more detailed tailored freight destination maps in Year 2 and standardised maps for abnormal loads and highway restrictions across Tyne and Wear, which are to be completed during Year 3.

4.2 *Tyne and Wear Freight Map*

The map was developed in close consultation with the Partnership and in particular with the five local authorities and the Highways Agency. The map identifies a suggested road freight network for the conurbation and shows the key destinations for freight traffic. Thirteen detailed inset maps are included, which depict preferred routes to the destinations along with height and weight restrictions. The map also includes contacts for local authority Traffic Managers, guidance on abnormal loads, and information on Freight Best Practice, the Department for Transport’s programme targeted at improving operational efficiency in the industry.

The map was launched at a Freight Best Practice event in Sunderland in March 2006. 2,000 copies of the map were produced and distributed to local authorities, Newcastle Airport, ports, transport operators, and truck stops. The map has also been made available electronically through a website developed for the Freight Partnership www.tyneandwearfreight.info (see section 9.1).

Figure 1 Tyne and Wear Freight Map⁶⁴

An important task to be carried out during Year 3 is to undertake a thorough review, update and re-print of the map. As part of the review, meetings will be held with the Local Transport Plan contacts and Traffic Managers at each of the five local authorities. This will involve discussion of the key freight destinations depicted on the map and identification of any additional destinations. The preferred routes to each of the destinations would also be reviewed, along with the identified freight network, height and weight restrictions. Contact details will also be reviewed and updated.

⁶⁴ Not printed.

4.3 Tailored Freight Destination Maps

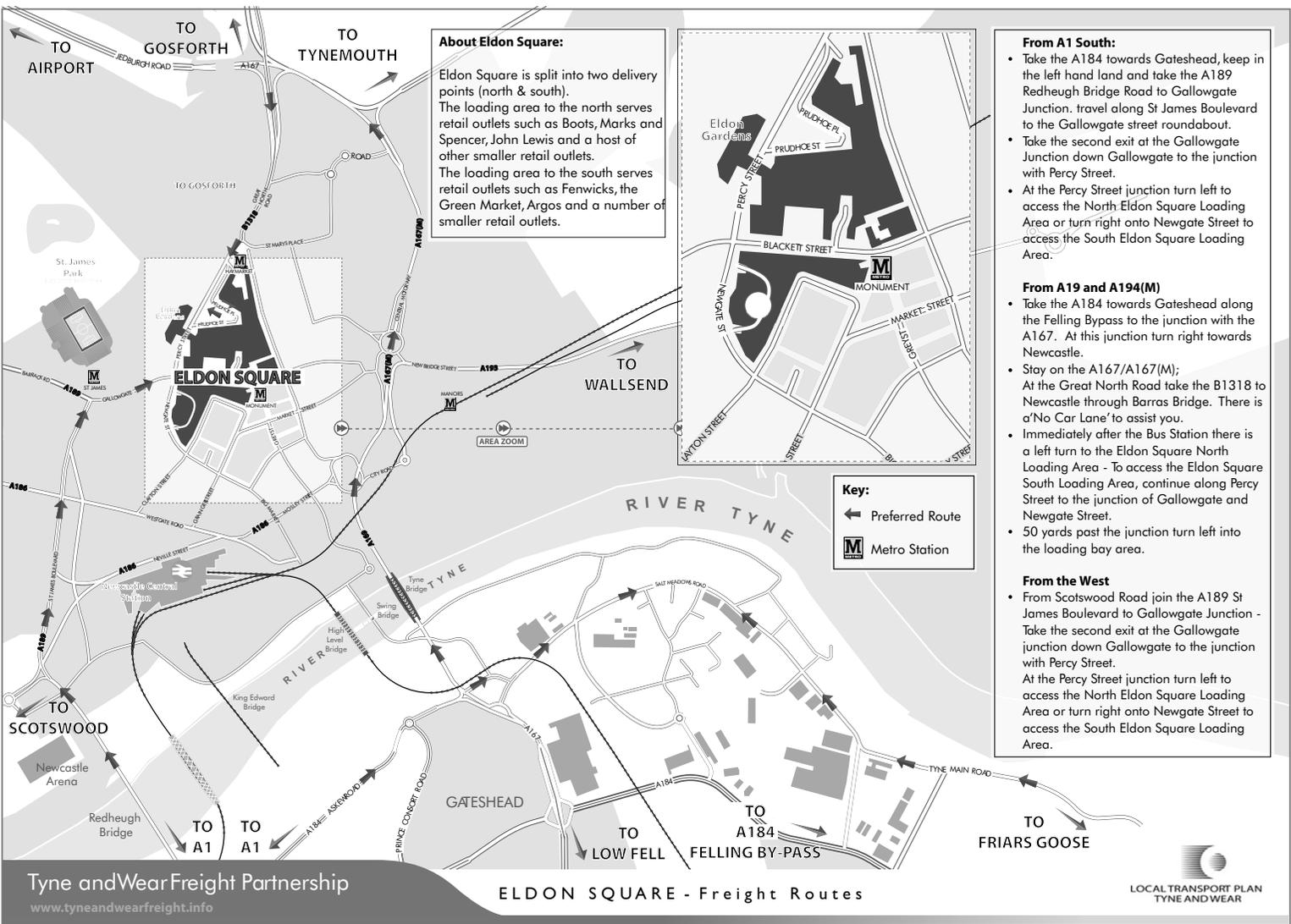
A significant development during Year 2 was the production of detailed tailored maps for key freight destinations. With the Tyne and Wear Freight Map as a starting point, the maps show a more detailed road network around the destinations, highlight preferred routes, include directions from the strategic road network and depict individual buildings. The maps were developed in conjunction with the local authorities and key contact points at the individual destinations. 11 tailored maps were produced during Year 2 for the following destinations:

- Asda (Washington).
- The Bridges Shopping Centre (Sunderland).
- Eldon Square Shopping Centre (Newcastle).
- Gateshead East.
- Kingston Park.
- MetroCentre.
- North Tyne Industrial Estate.
- Port of Sunderland.
- Port of Tyne.
- Salters Lane and Balliol Industrial Estate.

Figure 2 shows the map produced for Eldon Square Shopping Centre.

Figure 2

ELDON SQUARE SHOPPING CENTRE TAILORED MAP



The maps have been very well received by companies and local authorities alike and the majority have been approved by both parties. Each map is available on the website and organisations have been encouraged to email the maps out to their customers.

During Year 3 additional maps are to be produced for the following destinations:

- Porobello Industrial Estate.
- Tyne Tunnel Trading Estate.
- Rainton Bridge Industrial Estate.
- Silverlink/Atmel/Cobalt/Middle Engine Lane Industrial Estates.
- Team Valley.
- Washington Industrial Estates.

4.4 *Abnormal Loads Route Map*

The case and feasibility for the production of an Abnormal Loads Route map for Tyne and Wear was assessed as part of the Action Plan for Year 2. A standardised and up-to-date abnormal loads map for Tyne and Wear is therefore to be produced during Year 3, showing preferred routes by load category (wide, heavy and high) across the conurbation. It is envisaged that the map would be available for operators to view on the website, although local authorities will still be required to authorise any given route, based on the type of vehicle and the highway restrictions in place.

4.5 *Highway Restrictions Map*

A direct development from the abnormal loads map is the production of a standard map showing highway restrictions across Tyne and Wear. At present, each local authority uses different methods of storing data to depict height, weight and width restrictions. It is proposed that both the abnormal loads route map and the highway restrictions map should be updated on an annual basis.

5. SIGNAGE

5.1 *Importance of Signage*

An effective vehicular signing system is one of the most important tools in effectively communicating correct and appropriate routes to key destinations. Signage that is appropriate to freight is clearly important to facilitating the efficient movement of goods traffic in the conurbation, particularly in Tyne and Wear, where port related traffic brings a significant number of drivers who are unfamiliar with the area. Freight specific signage, which continuously signs preferred freight routes can play a valuable role, but has the potential to increase signage overload. The introduction of new signage therefore needs to be sufficiently well justified.

5.2 *Signage Review*

A review of signage with respect to freight was identified as a “Do Now” action at the launch of the Partnership and was therefore carried out during Year 1. The review focused on signage to key destinations for freight traffic from the Primary Route Network (PRN). Whilst this focussed on the provision of standard road signs as the predominant tool, the review also included the provision of information boards, which can provide more detailed information on town centres, or the layout of industrial estates. Examples of destinations identified by the study team are as follows:

- Port of Tyne.
- Port of Sunderland.
- Newcastle Airport.
- Newcastle NT Truckstop.
- Key industrial estates and business parks (eg Team Valley, Silverlink, Cobalt and MetroCentre).

The review found that signage provision was very good in most instances, but a series of recommendations were made, some of which are being taken forward through the Partnership. With respect to the Port of Tyne, the review found that whilst the section of the port on the north side of the River Tyne was well signed from all directions, the section on the south side of the river, which is a key destination for freight traffic was not signed at all. Improvements in signage to the Port of Sunderland from the A690 were also recommended. Another recommendation included using freight specific signage to encourage HGVs to use the A191 junction with the A19 to access Silverlink Retail Park, Middle Engine Lane Industrial Estate and Cobalt Office Park in order to relieve the congested A1058 junction.

5.3 Implementation of Signage to the Port of Tyne

The recommendation from the signage review to provide signage to the Port of Tyne was progressed during Year 2 in close consultation with the Highways Agency, the Port of Tyne and South Tyneside Council. An important issue to resolve before drawing up the detailed design specification was whether to sign the port via the A185 or A194 from the A19. Although the A194 provides the most direct link from the south, the route passes through a residential area and has been classified as an Air Quality Management Area (AQMA) by South Tyneside Council. This led to the A185 being designated as the preferred route from both the north and south.

A specification for the implementation of 15 new freight specific signs was drawn up and agreed by all parties following minor amendments (see Figure 3). The signs on the A185 were installed by South Tyneside Council in April and May 2007 (see Figure 4)—signs on the A19 at the junction with the A185 are to be installed by the Highways Agency in August 2007.

Figure 3 Example Design Specification for Signage to the Port of Tyne⁶⁵

Figure 4 Installing Signs to the Port of Tyne⁶⁶

5.4 Freight Signage in North Tyneside

One of the recommendations of the signage review was to provide freight specific signage to Cobalt Office Park, Middle Engine Lane and Sliverlink Retail Park (North Tyneside) from the A19 at the junction with the A191 (Holystone). These are key destinations for freight traffic which can be accessed easily from the A19, but there is no signage in place at present. Encouraging traffic to use the A191 junction for these destinations has the potential to contribute towards reducing traffic levels at the congested A1058 junction. This recommendation has been endorsed by the Highways Agency and North Tyneside Council and a detailed design sign specification was drawn up late in Year 2.

5.5 Bridges Shopping Centre Signing

The production of a tailored freight destination map for the Bridges Shopping Centre in Sunderland highlighted the lack of signing for the centre from the Inner Ring Road. Given the multiplicity of loading bays, this presents navigational issues for drivers, particularly those delivering to the centre for the first time. The Action Plan for Year 3 includes the production of a signing strategy design specification for the centre from the Inner Ring Road. The specification will be equivalent to that produced for the Port of Tyne, but will also consider changing or rationalising existing signage. The work is being undertaken in close consultation with Sunderland City Council and the Bridges Shopping Centre.

6. PRIORITY LANES ASSESSMENT

In addition to bus lanes, there are a number of No-Car lanes in place across Tyne and Wear. Bus lanes assist the movement of buses around congested city centres by reducing journey time and improving reliability. No-Car lanes are a relatively new concept and are based on use of the lane by buses and goods vehicles. Newcastle City Council has led the way in the implementation of such lanes and the approach has recently been rolled out in Sunderland following the re-designation of the bus lanes on the A690 (Durham Road) to No-Car lanes.

In order to inform policy across the conurbation, the Tyne and Wear Local Transport Team commissioned consultants JMP to assess and quantify the benefits of priority lanes in Tyne and Wear. The study concluded that No-Car lanes were found to deliver faster journey times for all users relative to bus lanes, but instances of lane contravention were higher. Importantly, the consultation with stakeholders demonstrated strong support for greater standardisation of the priority lanes both in terms of the type of lane and hours of operation.

The next stage of work is to draw up guidance identifying when it is appropriate to introduce different types of priority lane.

7. LORRY PARKING

7.1 Requirement for Lorry Parking

The shortage of lorry parking and the issues associated with it are of national significance. Areas for goods vehicles to stop and park up when away from base are essential in contributing to freight operations as well being places for drivers to refresh themselves and maintain their vehicles. Driver rest facilities and lorry parking provide an important support service to road freight, particularly for freight companies based outside the region. Lorry drivers are required to take both daily driving breaks and overnight rest by the

⁶⁵ Not printed.

⁶⁶ Not printed.

European Union Driver Hours Directive 3820/85. In addition to the health, safety and welfare of drivers, inadequate lorry parking provision can have an adverse impact upon other road users, and poor security can put cargo at risk. Over recent years lorry park sites have been under pressure from urban development and often become isolated from food and other facilities needed by visiting drivers. The Department for Transport (DfT) Local Authority Freight Management Guide encourages local authorities to address the issues and progress actions targeted at improving provision.

7.2 *Audit of Current Facilities*

An audit of lorry parking facilities in Tyne and Wear was carried out as part of the Action Plan for Year 2. The purpose of the audit was to provide an up-to-date baseline position in relation to the adequacy of lorry parking provision in order to inform future policy. Importantly, the audit took account of the impact of the closure of the NT Newcastle Truckstop, Birtley in January 2007 and providing a “before” and “after” position.

The audit considered the following three types of facility:

- Motorway Service Areas (MSA).
- Independent lorry park.
- Areas designated by the local authority.

The survey also looked into off-site parking at locations such as lay-bys and industrial estates, which can be inappropriate.

An important aspect of the audit was to interview drivers to ascertain their views on the current facilities and how improvements could be most effectively targeted. The audit included an assessment of the facilities available, as well as potential capacity and current utilisation.

Following the closure of the NT Newcastle Truckstop in late January 2007, it is clear from this audit that there is a severe shortage of lorry parking facilities in Tyne and Wear. The facility was an important and popular truckstop, providing good facilities for lorry drivers entering the area. Moto Washington services on the A1 (between Junctions 64 and 65) is now the only formal lorry parking facility in the conurbation. Prior to the closure of the NT Newcastle site, the average night-time utilisation of the Moto site was 61% during the week, which increased to 90% following the closure.

7.3 *Promotion of Lorry Parking*

Given the shortage of facilities, work is to be carried out during Year 3 to assist in the process of securing new facilities in the area. To this end, meetings have been held with Durham County Council to discuss the potential for providing lorry parking facilities close to the Tyne and Wear boundary. Further discussions and meetings are to be held with the respective local authorities and potential service providers to facilitate progression of new facilities.

7.4 *Private Sector Lorry Parking Reciprocation Pilot*

A further initiative to be developed during Year 3 is a private sector lorry parking reciprocation pilot. The scheme would allow companies to buy secure parking spaces at the depots of other operators, or sell space at their own sites. The pilot will include research into companies willing to enter reciprocal arrangements, including contact with operators connected with Tyne and Wear Partnership, the Freight Transport Association (FTA) and Road Haulage Association (RHA). In order to ensure a critical mass for the pilot, a substantial amount of effort would have to be expended in communicating with and selling the benefits of such a scheme. The website would be amended to act as a platform for companies to buy and sell spaces. Its success can be judged on the number of spaces being made available for trading and on the take up.

8. RAIL FREIGHT

8.1 *The Current Position*

The majority of work undertaken by the Partnership has focussed on road freight transport, as local authorities have greater scope to affect change in this area. However, given the importance of promoting sustainable distribution, a review of rail freight across Tyne and Wear was completed during Year 2. The purpose of the review was to outline the current position in order to provide a context for assessing the potential for increasing the volume of rail freight moved in the conurbation.

In terms of current movements, coal comprises the highest number at 54 per week, which equates to 52% of the total. Increased movement of imported coal through the Port of Tyne has been key to the increased number of coal trains. The first imports of coal began in 2004 when 115,500 tonnes of coal was handled. Information from the Port shows that this increased to 1.6 million tonnes in 2006 and is anticipated to grow to 2.5 million tonnes in 2007.

Petrochemical bogie tanks to Jarrow yard are the next highest (12 movements per week). The tanks carry a number of products including Petroleum, Ammonia and water. There are nine movements relating to the Steel and Automotive industries respectively and eight Enterprise trains. Enterprise trains are generally a wagon load or mixed service train. Other movements include Lime/Mineral and Aluminium.

8.2 Outlook

The review considered that the scope for increasing the volume of rail freight moved in Tyne and Wear was constrained by the shortage of available paths on the East Coast Main Line (ECML). There is some spare capacity, but this is protected to provide additional slots during periods of disruption. These issues are addressed by the Network Rail Freight Route Utilisation Study (RUS), 2007. With respect to capacity issues, Tyne Yard—Tursdale junction is identified as a significant constraint in the RUS with respect to rail freight. Re-activation of the Boldon East Curve is recommended as the best option for addressing this. The scheme will generate a small number of additional paths to and from the Port of Tyne, providing an alternative route to/from the Aire/Trent Valley via the Durham Coast. It also offers an alternative route from the Port of Tyne to the constrained part of the ECML between King Edward Bridge and Ferryhill.

In terms of additional rail freight traffic, the review concluded that it is likely that this would consist of more coal, intermodal boxes and aggregates. These are the types of commodity that are growing in volumes across the national rail network. Certain retailers are experimenting with running intermodal freight trains as part of their supply chains, and if reliability remains high, then this type of traffic could be expanded. It was also considered that there is potential for additional port related traffic both from Tyneside and Teesport to run through the area as both ports look to expand volumes.

9. COMMUNICATION AND CONSULTATION

9.1 Website

The development of a website for the Partnership was an important development during Year 2 (www.tyneandwearfreight.info). The website aims to capture all the work of the Partnership and act as a “one-stop shop” for information and advice for freight operators. It includes detailed up-to-date information on freight routes and destinations through a web-based version of the Tyne and Wear Freight Map. The detailed tailored maps for key freight destinations in the area are also included, along with links to traffic information, information on lorry parking, contacts for local authority traffic officers and information on Freight Best Practice. Example screenshots from the website are shown in Figure 5.

Figure 5 Tyne and Wear Freight Partnership Website⁶⁷

The website was launched in December 2006 and by June 2007 32,500 hits had been made from 5,600 individual users. It has been well received by a range of organisations—the quote below is from Al Wheatley and Sid McAuley at the Transport Training Centre, Ministry of Defence (MoD).

“As a transport manager for the MoD(North), I found the site very informative and easy to follow, just what a haulage driver needs when delivering to new areas. I particularly liked the mapping to major sites in & around the area, also the truck stops. Perhaps other large cities should follow example and produce something similar. Well done”.

9.2 Electronic Information Points

In Year 1, the Partnership started to consider the provision of a trial Electronic Information Point (EIP). The EIP could provide a range of information for drivers, including live traffic and roadworks information, advice on lorry parking, guidance on lorry routes to key freight destinations, best practice information (safe and fuel efficient driving etc) and also be a valuable means of communication between the Partnership and the operators and drivers.

A feasibility study for the provision of a trial EIP was carried out during Year 2 and assessed the technicalities and costs of setting up and installing the facility. It was envisaged that the website would provide an ideal basis and platform in terms of the content for the EIP, although it would need to be adapted to operate on a touch screen basis.

The NT Newcastle truckstop at Birtley, which is located off the A1(M) in the south of Tyne and Wear was thought to be an ideal location to install a trial EIP. Following the announcement that the truckstop has closed, the Moto services at Washington, also off the A1(M) is currently the preferred site. Implementation and monitoring of a trial EIP is identified as an task within the Action Plan for Year 3.

⁶⁷ Not printed.

9.3 Consultation with Operators

A significant amount of work has been undertaken since the launch of the Partnership in April 2005. During Year 3, a review of the work will be carried out in order to assess the work completed to date and inform future direction and activity. The review will focus on operators, as the main target audience, and include a series of interviews through site visits and telephone calls.

10. CONCLUSION

The Tyne and Wear Freight Partnership has been successful in bringing together a range of organisations, including transport operators, industry representatives, local authorities, the Highways Agency and key local stakeholder groups to facilitate the delivery of a range of actions targeted at improving the efficiency, safety and sustainability of freight movement.

The main challenge for the future is maintain momentum and build interest from operators by ensuring that the actions are targeted at pertinent issues.

Experience from Tyne and Wear suggests that the following are of key importance to a successful Freight Partnership.

- Undertake initial research with operators, both inside and outside the area to understand freight movement in an area and associated problems and issues.
- Engage with transport operators, industry representatives, local authorities, the Highways Agency and key local stakeholder groups.
- Identify a clearly defined action plan, focusing on the delivery of tangible outputs to address the identified problems and issues.
- Secure sufficient resources and necessary expertise to deliver the action plan.
- Maintain good communication links with the Partnership and a wider audience through newsletters, press releases and a website.
- Review progress with the Partnership and consult with operators on the work undertaken to inform future direction.

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October 2007

Memorandum from Kelvin Hopkins MP (FT 42)

EURORAIL FREIGHT ROUTE (EFR)

1. We are pleased to have an opportunity to make this submission to the Transport Select Committee and to explain our proposals for the Eurorail Freight Route (EFR), a scheme which we believe will make a very substantial contribution to rail freight in Britain and which we consider will be significant for the country's long term economic success. The essence of the EFR scheme is the construction of a rail freight line from the Channel Tunnel to Glasgow, linking the major economic and population centres of Britain and built to a large gauge capable of transporting full sized (9ft 6ins) containers, (and ultimately double-stacked containers), as well as full sized lorry trailers between inter-modal terminals in Britain and continental Europe.

2. The scheme has been conceived and is being promoted by a team comprising the following:
 Andy Berry—railway engineer and consultant with special expertise in signalling.
 Tim Brown—railway engineer and consultant with 30 years experience in permanent way engineering.
 Ken Russell—Director of Russell Transport, one of Scotland's largest freight haulage companies.
 Kelvin Hopkins MP.

We have received much help and advice from others, including Railway Consultant Richard Tilden-Smith.

3. Our submission is developed in more detail below but this paper is still merely a summary text intended for ease of use by the Committee. More details can be provided as required and our team would be pleased to present oral evidence to the Committee if this was considered helpful.

4. We have made a number of presentations of our scheme to a wide range of interested parties. These have included Rail Freight Group (on five occasions), The Association of Railway Civil Engineers, Department for Transport officials, the Chief Executive of Network Rail, the President of the Institution of Civil Engineers, the Northwest RDA and SEEDA and others. The scheme was also presented to the House of Commons in an Adjournment Debate on 19 February 2007.

5. Beyond that we have made written representations and corresponded with many others, and we have on occasion informed the Chair of the Select Committee in writing of our ongoing representations. Our communications have included correspondence with Lord Neil Kinnock, former European Transport Commissioner, who has responded supportively, the Mayor of London, all of the RDAs on the line of route, the Freight Transport Association, a House of Lords rail freight inquiry chaired by Lord Woolmer and Sir Rod Eddington. We have also had private meetings with a range of experts, especially from the railway industry. The responses to our representations have been positive. Our representations are continuing and an ongoing series of meetings is planned.

6. What follows is a summary of our case for the construction of the Eurorail Freight Route.

THE NEED FOR A NEW FREIGHT ROUTE

7. Britain's roads and ports are suffering from considerable and increasing congestion. Estimates put the total cost to the economy of congestion at £20 billion a year, (FTA Estimate based on a previous OECD exercise), an enormous sum by any standards. Rail freight volumes have been growing but so too has passenger traffic, and in spite of increased levels of investment rail route capacity is increasingly under stress. Existing track routes must be used to the maximum, with modern signalling and higher operating speeds, but the reality is that existing routes will not cope with future growth.

8. Nor is it sensible to try to increase passenger and freight traffic on the same routes. Passengers and freight do not mix easily, with different operating speeds among other things, and there is therefore a great need both for additional track routes and for segregating freight and passenger traffic wherever possible. The Eurorail Freight Route will make possible a step change on both fronts. Statistical assessments of freight needs undertaken by MDS Transmodal show that there is a very substantial need for additional rail freight capacity north-south along the backbone of Britain. The EFR precisely matches that need.

THE EURORAIL FREIGHT ROUTE

9. As stated in the introduction to this paper, the essence of the EFR scheme is the construction of a railway line from the Channel Tunnel to Glasgow, linking Britain's major population centres and economic regions. The key to the success of the scheme and essential to it is that it would be built to a gauge capable of carrying full sized (9ft 6ins) containers on standard wagons and would ultimately be capable of accommodating double-stacked 9ft 6ins containers on its core route all way to and through the Channel Tunnel. Another essential feature of the scheme is that it would be capable of transporting road trailers on trains both between terminals in Britain and between Britain and the Continent of Europe. The trailers would be delivered at both ends of their rail journey by short distance road haulage.

10. Our preliminary estimates suggest that the route would accommodate more than five million lorry journeys a year, operating effectively as a rolling motorway. It would thus provide for a large modal shift of freight to rail both within Britain and between Britain and the Continent. The EFR would also take freight traffic off the East Coast and West Coast Main lines, freeing up those routes for faster and more frequent passenger trains. If this were done, further and relatively modest investment in these two existing main rail routes would provide for 140mph trains on the East Coast Mainline and 135mph trains on the West Coast Mainline with the possibility of non-stop services at these speeds between London and Scotland. The East Coast Mainline in particular simply requires quadrupling of the track with a new viaduct to the north of Welwyn and some passing loops further north, together with signalling upgrades to make 140 mph non-stop working passenger services between London and Scotland possible. Indeed, on a test run in 1992 a train travelled from Kings Cross to Edinburgh with a two minute stop at Newcastle, in three and a half hours.

A DETAILED ROUTE FOR EFR

11. The EFR team has developed a detailed route plan making use of old track bed and under-utilised existing railway lines. The whole route would require only some fourteen and a half miles of new track route, 10 miles of which would be in tunnels, with a four mile link across open farmland in the Midlands. The chosen route would thus present minimal planning difficulties and would be very economical to build.

12. The EFR would be constructed in phases so it could begin to take traffic through the Channel Tunnel very soon. The first phase suggested would be a terminal on the North Thames linked directly to CTRL and using the CTRL line for the immediate future. CTRL has indeed been built to sufficient gauge to cope with full sized containers (and ultimately double-stacked containers) as well as lorry trailers. This would be a temporary arrangement until the EFR route under and to the south of the Thames is completed at a later stage.

13. The next phase of the route would include the existing Barking and Gospel Oak route round the east and north of London to join a new tunnel through Hampstead linking through to the Midland freight lines at West Hampstead. From there the route would branch off at Cricklewood to link up with the Chiltern lines where track would be reinstated. Another terminal would be constructed to the north west of London close to the M25, M4, M40 and M3 capable of taking lorry traffic from the South and West as well as the Midlands and North.

14. The route would then travel northwards on reinstated track on the old Great Central track bed to a terminal in the East Midlands and a branch linked to another terminal in Birmingham serving the West Midlands. Continuing northwards the route would link into the Midlands freight lines past Leicester and track northwards again to South Yorkshire to another terminal at Tinsley, between Sheffield and Rotherham, an existing but under-utilised freight terminal.

15. The line would then pass through the Pennines by way of the currently disused Woodhead Tunnel to a South Lancashire terminal near the M6 and M62 motorways. This would serve the North West and the major cities of South Lancashire. The line would then snake northwards to link with the Settle Carlisle route and on through Scotland to Glasgow. A link to Newcastle serving the North East would be built and additional links to other areas including the South West would be added.

16. The use of the CTRL route would be a temporary arrangement until the EFR is completed with a new tunnel under the Thames to the Medway Valley route and then on to the Channel Tunnel. Maps accompanying this paper illustrate the precise route⁶⁸ and this can be explained mile by mile as required. We must emphasise that our route has been very precisely researched and designed. It has also been presented to senior engineering figures from the railway industry, each of whom has confirmed that the route is precisely right and would be easy to construct. Standard operating speeds would range up to 100 mph.

CONSTRUCTION COSTS

17. Using the Channel Tunnel Rail Link costs as a model, our first estimate of costs for constructing the EFR line was between £3 and £4 billion. We have therefore used a working figure of £4.5 billion which is on the generous side. Indeed, one expert from the railway construction sector has suggested to us that he could construct the line for under £3 billion. We can provide a breakdown of costs as required.

18. The main reason why costs are so modest is that our team has gone to great lengths to avoid unnecessary expense in the choice of route. The former Central Railway proposal, which was significantly different in concept to the EFR, involved among other things a considerable length of new route circling London to the west, as well as a route through the centre of Manchester. We considered both of these to be unnecessary and both technically and politically difficult as well as expensive. EFR also links right through to Scotland which the Central Railway proposal did not. The EFR presents little technical or political difficulty and this has been confirmed in discussions with a number of experts. EFR should, we believe, become an integral part of Network Rail.

THE CHANNEL TUNNEL AND THE EFR

19. The Channel Tunnel was a bold and important advance linking Britain's railways with those of the Continent of Europe. However, since it opened it has been in almost continuous financial crisis and can only become financially viable with vastly increased traffic. Even with CTRL, the number of passenger trains through the Tunnel will always comprise only a very small proportion of its potential capacity. Indeed, with good signalling and timetable management, the Tunnel can comfortably accommodate 150 trains a day in each direction additional to Eurostar services. (Several times more than that number of trains could be accommodated each day with signalling upgrades.) 150 trains with 40 units (lorry loads) on each train would amount to 6,000 lorry journeys each way every day, potentially over four million lorry units a year. Even a fraction of that quantity would transform the economics of the Channel Tunnel and avoid the need for continued subsidies to the Tunnel paid in effect by taxpayers in Britain and France. The difficulty in achieving these levels of freight traffic through the Tunnel is simply that the rail network on the British side of the Channel is incapable of delivering the trains to and from the Tunnel. The track capacity is not there and the gauge required wholly absent. The EFR overcomes that difficulty.

SUPERMARKETS AND RETAILERS

20. There would also be considerable scope for domestic freight traffic on the EFR route. A group of supermarkets and large retailers are currently exploring the potential for transferring large quantities of their road borne services and traffic on to rail, should the capacity be available to make this possible. This group of nine such companies are discussing the possibility of some ten thousand lorry journeys a week being transferred to rail within Britain and there are other major supermarkets and retailers not in this group of

⁶⁸ Not printed.

nine who are also planning to seek similar modal shifts to rail. The EFR route would be ideally placed to accommodate much and perhaps most of their traffic. Without EFR, modal shift to rail of such traffic would inevitably be constrained by lack of track capacity.

21. These considerations have arisen because the supermarkets and other retailers wish to improve their green footprint and have been prompted partly by government request. The Department for Transport's own figures point out that CO₂ emissions per ton mile for road freight are up to 12 times higher than that for rail freight. Transferring millions of units of road freight on to rail will therefore make a very large contribution to reducing CO₂ emissions.

CONTINENTAL RAIL FREIGHT DEVELOPMENT

22. A large scale rail freight network is being developed on the Continent of Europe with enormous investments already under way. Among other things, two tunnels some 35 miles long in each case and dedicated to freight traffic are being built through the Alps from Switzerland to Italy and through the Brenner Pass in Austria. The 100 mile freight dedicated Betuweroute in Holland has recently been built linking Rotterdam with the Ruhr with tunnels built to accommodate double stacked containers in the future.

23. These developments have been driven in part by the NEW OPERA initiative and the Trans-European networks concept. Lord Kinnock in his capacity as European Transport Commissioner personally took the initiative in promoting the development of a rail freight network across Europe and that is now moving on apace.

24. Britain is geographically peripheral to the continent of Europe and cannot afford to be left out of these major Europe-wide rail developments. Britain's existing rail network is incapable of taking the volumes of traffic required and most of the UK network is in any case incapable of taking full size container traffic and road trailers on trains. The Eurorail Freight Route would provide a major and vital artery for Britain's economy as well as making possible a step change modal shift of freight from road to rail.

SAVINGS TO THE TREASURY AND THE ECONOMY

25. There would be a number of indirect financial and economic benefits deriving from the EFR scheme. First of all, a significant shift of road traffic on to rail would have a proportionate effect in reducing road damage caused by lorries. It is the heavy axle weights of lorries which cause road damage and thus the need for road repairs with closed-off motorways and which in turn create congestion and associated costs. Both congestion costs and motorway repair costs would therefore be reduced. Heavy freight also has an impact on rail passenger routes, so taking freight off the East Coast and West Coast Main lines would among other things reduce rail maintenance and repair costs on those routes.

26. The road haulage industry would also benefit by guaranteeing delivery times on a dedicated and unrestricted rail freight network between Britain and the Continent and within Britain itself. Drivers' hours regulations would be less burdensome because many lorry journeys would simply be between points of origin and rail terminals and between rail terminals and final destinations, relatively short distances. There is currently a national shortage of road haulage drivers which the EFR would help to alleviate. It has to be emphasised however that EFR would provide a service to private hauliers and not be in competition with them. It would make a reality of an integrated freight transport industry.

CONCLUDING COMMENT

27. This is a brief sketch of the EFR proposals and we would be very pleased to have an opportunity to make an oral presentation to the committee. We have a relatively short power point presentation which might be helpful. We are continuing to discuss our scheme with the widest possible range of interests and experts and have been greatly encouraged by general expressions of support.

28. We believe that the EFR scheme would make a major and vital contribution to Britain's transport infrastructure. For a 400 mile long railway line at a cost around half that of the West Coast Main Line modernisation, half that of CTRL and a quarter of the expected costs of Crossrail, the EFR would represent great value for money. We are confident that the EFR would pay for itself without the need for ongoing subsidy.

29. We hope that our scheme for a Eurorail Freight Route will be of interest to the Select Committee and would be pleased to address any questions or comments members may have.

Kelvin Hopkins MP

For and on behalf of: Andy Berry, Tim Brown, Ken Russell

October 2007

Memorandum from the British Ports Association (BPA) (FT 43)

1. The BPA represents a broad cross section of ports in England and Wales operating in diverse markets. In particular, it represents the overwhelming majority of ro-ro traffic which, together with container traffic, is an area of significant growth. All ports are dependent on their links to the national transport network and it is the efficiency of this network that underpins the success or otherwise of the freight industry.

We very much welcome the Committee's inquiry. Although we are not sure what "an integrated freight plan" might look like, we believe that it is right to consider the freight industry as a sector in itself rather than as the sum of the various modes on which it depends.

A successful freight industry is absolutely fundamental to any successful economy. It underpins manufacturing, distribution and retailing, improves business productivity, the efficiency of the labour market and reduces cost to the final consumer. We believe that a successful freight sector has implications significantly beyond its own internal efficiencies.

2. Nevertheless, the main conclusion of our response is that although efficiency of the freight industry can be delivered through a range of improvements which we identify below, a full blown integrated freight plan, given the complexity of the freight market, is, in our view, not necessarily achievable or desirable. This is not to endorse entirely current arrangements. Much of the UK has a mature transport system and is reasonably well connected. What is now needed is targeted investment with careful thought given to transport projects which can have the maximum effect on freight efficiency. We therefore believe that there are a number of pragmatic changes that can be made which could improve the efficiency of freight movements. Our aim would be for a freight policy rather than a freight plan.

The UK ports industry is the largest in the EU. The UK has an increasing dependence on imports, especially high value manufactured goods; port growth has been almost entirely the result of import growth, particularly in containers and ro-ro. Ports overwhelmingly rely on their road links. 66% of all goods by volume are transported to and from ports by road in England and Wales. Ports are therefore vital components of, and influences on, the pattern of freight movements. Compared with other EU member states where provision of transport infrastructure is substantially a public sector activity, the UK transport sector is characterized by a mix of private and public sector finance and ownership. This creates particular challenges in achieving an integrated approach. Changes that the rail industry has undergone since the early 1990s are a case in point. The winding up of the Strategic Rail Authority and the consequent return to public control of a large part of the rail industry is an example of the state of flux within which this major sector has had to operate.

3. Added to this is our experience that generally, passenger traffic has policy priority, certainly where road and rail are concerned, and especially rail which has had to cope with unforeseen and dramatic rises in passenger numbers. We are not convinced therefore that an integrated freight plan would sit easily within this complex mix. Nevertheless, there are a number of changes, some already underway, which could be beneficial to freight efficiency and which could build on existing arrangements. These are:

- (i) Transport link priorities : Despite the importance of international trade to the UK economy, current policy is not to treat ports any differently from other industrial developments. Not only is this an underestimation of the value of port links, it has also led to the situation whereby the government is increasingly looking to ports to fund connecting infrastructure. This has been confined so far to container developments but we are alarmed at the potential for the policy to be applied to other developments across a wide range of ports some of which are better placed to fund connecting infrastructure than others.

The Eddington Report published in December last year made a particular point of underlining the value of links to ports, described as "the key gateways for UK trade". The report saw strong cost benefit ratios for investment in surface access to ports ranging between 3 and 15 and estimates the cost of investment to be between £10 million and £170 million. We strongly support the approach of targeted investment in high return schemes such as links to ports.

- (ii) Changes to the planning system: It has long been our contention that the planning system across a range of transport projects, including ports has failed to deliver. We have supported, with various caveats, the government's intentions as outlined in recent consultation on a Planning Bill. We agree that the setting up of an Infrastructure Planning Committee for large projects and the creation of a new Marine Management Organisation for port and other marine developments below a high threshold does, in principle, hold out the prospect of improvement. Responsibility for the licensing of developments is currently scattered thinly across various government departments and agencies resulting in inefficiencies and the need for a number of licences for a single project. We look to impending legislation therefore as a very significant and much needed change to the current planning regime.
- (iii) Transport charging: We believe that there is a place for local road charging schemes as a means of raising revenue and introducing the possibility of better traffic management. We very much support targeted schemes addressing current bottlenecks and which clearly demonstrate to road users the costs they generate. Much congestion is created by the private motorist and schemes could be developed which prioritized freight traffic at certain times and in certain locations. The revenue raised could also be used to make local access improvements.

- (iv) **Border Controls:** A factor affecting port efficiency, particularly for ro-ro traffic, is the burden of border controls, particularly those exercised by Customs, Immigration and Special Branch. The government has just initiated a border review aimed at unifying some of the functions of Customs and Immigration and we believe that a radical re-thinking of the way in which the Agencies work and cooperate is required.
 - (v) **Role of RDAs:** With the abandonment of Regional Assemblies, RDAs have been given more responsibility to devise transport plans which underpin regional economic growth; the port industry is cooperating much more extensively with RDAs about regional infrastructure needs and we see this as a vital part of supporting the freight industry in the future. We are looking at the potential for port master planning whereby each port identifies the pressures it will place on the transport system so that the RDAs can factor these into their spending plans.
 - (vi) **Sustainable Distribution Fund:** The take up from the UK ports industry of grants under the SDF has been low, partly because of the complexities of applying but also because anticipating the number of lorry journeys saved is difficult. We are currently in discussion with the DfT on the future construction of the SDF and whether potentially sound schemes are being unnecessarily eliminated under current rules. Although we do not believe that there is huge potential for modal switch from road to water, we do believe that the SDF could be more finely tuned to identify niche markets susceptible to change.
4. In summary our main conclusions are:
- (i) Although we do not necessarily see the need for an integrated freight plan, we do see the need for integrated transport policies.
 - (ii) Ports as key influences on freight patterns should receive priority for investment in their infrastructure links; such investment would bring GDP benefits.
 - (iii) Proposed changes to the planning system create the possibility for speedier planning decisions.
 - (iv) Road charging and RDAs should be significant factors in the future.

October 2007

Memorandum from Unite the Union (FT 44)

1. INTRODUCTION

1.1 This evidence is submitted by Unite the Union, the UK's largest trade union with two million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport and local government, education, health and not for profit sectors.

1.2 The Transport Section of Unite the Union, represents over 100,000 employees employed in the various areas of the United Kingdom (UK) freight industry. The Transport Trade Group represents workers in all areas of freight transport including railways.

1.3 Freight transport or as we prefer to call it logistics is the fifth largest sector in the fifth largest economy in the world, turning over £75 billion a year in the UK alone and employing 2.3 million people (or one in 12 working people in the UK).

2. EMISSIONS AND FREIGHT TRANSPORT

2.1 Currently transport especially road and air transport are the focus of intense scrutiny in regards to their CO₂ and other greenhouse gas emission. The Transport Sector of Unite clearly recognises the need to reduce these emissions both by improvements in technology, and modal shift, provide this is possible.

2.2 In your call for evidence you state that International distribution patterns involving air freight increase carbon dioxide by up to 30 times that of sea transport.

We find this statement difficult to support, and like the debate around the emissions in regard to civil aviation opposing sides are claiming the moral high ground in regard to the amount of emissions produced by sea transport.

2.3 Some 90,000 ships from tankers to small freighters ply the world's oceans and global emissions of carbon dioxide from shipping are twice the level of aviation, one of the maritime industry's key bodies has said⁶⁹.

A report prepared by Intertanko, which represents the majority of the world's tanker operators, says emissions have risen sharply in the past six years.

⁶⁹ Ships' CO₂ "twice that of planes" By Matt McGrath Environment reporter, BBC News
Last Updated: Friday, 19 October 2007, 02:51 GMT 03:51 UK

Previous International Maritime Organisation estimates suggested levels were comparable with those of planes.

Intertanko says its figures are the most realistic estimation of the current levels of CO₂ from ships.

Its estimate suggests that the world's shipping uses between 350 and 410 million tonnes of fuel each year, which equates to up to 1.2 billion tonnes of carbon dioxide emissions.

Intertanko says that growth in global trade coupled with ships burning more fuel to deliver freight faster has contributed significantly to the increase.

Dragos Routa, the technical director of Intertanko, told the BBC the figures were a work in progress but the levels of emissions had risen sharply.

But Mr Routa argued that the much greater tonnage carried by each vessel, compared with aircraft, meant that shipping was still a much greener form of transporting freight around the globe.

2.4 In contrast to the expected reductions in emissions from land-based sources, the maritime sector is becoming an even larger source of air pollution. It is projected that emissions of SO₂ from the maritime sector will increase by around 45% while emissions of NO_x will increase by approximately 67%. With these growth rates, emissions of SO₂ and NO_x from the maritime sector should surpass total emissions from land-based sources by 2001⁷⁰.

2.5 In 2.2 we referred to Intertanko which was saying that the growth in global trade is coupled with ships burning more fuel to deliver freight faster has contributed significantly to the increase in greenhouse gas emissions. Part of the reason for freight to be delivered faster has been the growth of just-in-time practices in both manufacturing and retailing.

⁷⁰ Brussels, 21 9.2005 SEC (2005) 1133 COMMISSION STAFF WORKING PAPER
Annex to : The Communication on Thematic Strategy on Air Pollution and The Directive on "Ambient Air Quality and Cleaner Air for Europe" p

Table 2
EMISSIONS BY SECTOR FOR EU-25 (% TOTAL)

	<i>SO₂</i>		<i>NO_x</i>		<i>% land based sources VOC</i>		<i>NH₃</i>		<i>PM_{2.5}</i>	
	<i>2000</i>	<i>2020</i>	<i>2000</i>	<i>2020</i>	<i>2000</i>	<i>2020</i>	<i>2000</i>	<i>2020</i>	<i>2000</i>	<i>2020</i>
Power generation	57.4	21.6	17.8	13.6	0.9	1.3	0.4	0.6	8.5	5.7
Industry	18.7	29.8	9.6	14.5	0.5	0.7	0.1	0.1	1.9	1.9
Households	7.6	7.2	5.5	10.1	7.2	9.0	0.7	0.6	38.7	39.3
Transport	4.6	7.7	61.3	51.2	38.9	17.5	2.0	0.6	28.9	20.3
Agriculture	0.0	0.0	0.0	0.0	0.5	1.0	91.1	92.7	3.9	7.1
Processes	11.7	33.7	5.8	10.6	51.9	70.5	5.8	5.4	18.2	25.8
Total land (kt)	8,735	2,805	11,581	5,888	10,661	5,916	3,824	3,686	1,749	964
International sea transport (kt)	2,430	3,526	3,557	5,951	n/a	n/a	n/a	n/a	n/a	n/a
<i>Share of land based sources %</i>	<i>27.8</i>	<i>125.7</i>	<i>30.7</i>	<i>101.1</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

Source: RAINS

2.6 You have asked how can the Government encourage and incentivise further efficiency improvements. This we believe is the wrong question. The question we believe that you should be asking is: are the economic and environmental benefits of these types of management systems more than the economic and environmental costs of these systems? The Government we believe is myopic in its view to efficiency and is forgetting to take into account the environmental impact of JIT systems.

3. INTEGRATED INFRASTRUCTURE

3.1 We would like to take this opportunity to remind the Transport Committee that transport strategy is the core element of the Lisbon strategy for growth and jobs. It is comprised of long-term objectives, whereby the aim in all strategic choices is to strike a balance between economic growth, social wellbeing and environmental protection⁷¹.

3.2 Also at the European level transport policy has evolved to one based on the most efficient use of different modes both on their own and in combination (co-modality), including transport by road. The principle of favouring one transport mode over another—intermodality—has been abandoned, not least in order to absorb the expected growth in passenger number and freight transport⁷².

3.3 In regard to the question should the Department for Transport (DfT) have more responsibility for planning and delivering integrated infrastructure which might promote free movement of goods?

3.4 Our answer to this is yes, but given the European position is the efficient use of different transport modes or co-modality. We would see a clear conflict between our view and the EU, and we are also unsure as to the policy of DfT. Does it support co-modality or intermodality?

3.5 Some indication may be drawn by what has happened to the rail and road network in the UK compared with Europe in general. Table 3a shows the Evolution of main networks*, EU-25, 1990–2003 (in km).

Evolution of main networks, EU-25, 1990-2003 (in km)⁷³*

	1990	2003	% change 1990–2003
Total network, of which:	4,279,666	5,142,900	20%
Railway lines	215,441	198,963	–8%
Roads (exc. Motorways)	3,960,000	4,820,000	22%
Motorways	41,125	58,100	41%
Total Roads	4,001,125	4,878,100	22%
Oil pipelines	25,400	28,700	13%
Inland waterways	37,700	:	:

3.6 From Table 3b we can see that the total road network in the UK has increased by 10 percent between 1990 and 2003, while the rail network has decreased by one percent. The UK like the rest of the EU would appear to be voting with its feet and supporting co-modality rather than inter-modality.

Evolution of main networks, UK, 1990–2003 (in km)⁷⁴*

	1990	2003	% change 1990–2003
Railway lines	16,584	16,493	–1%
Roads (exc. Motorways)	354,964	388,864	10%
Motorways	3,070	3,478	13%
Total Roads	358,034	392,342	10%

3.7 Inland waterways are another area of sustainable transport where we have not seen the expected growth in traffic, especially freight traffic, although there have been some notable exceptions.

⁷¹ Our emphasis

⁷² TEN/296 Bottlenecks in Transport: Working Document of the Section for Transport, Energy, Infrastructure and the Information Society on Bottlenecks in transport (exploratory opinion) Rapporteur; Ms Simons 2.10 page 3.

⁷³ Panorama of Transport 2007 Table 2.1

⁷⁴ Transport Statistics 2006

3.8 We have serious concern that the main player in this strategy, British Waterways, is more concerned with developing its property and leisure interests rather than promoting and actively developing freight transport on our inland waterways. The development of waterside sites as residential properties are effectively stopping the development of inner city quays, which could be used to promote an increase in both freight and passenger traffic on the inland waterways.

4. HOW CAN ROAD SAFETY RECORD OF HAULAGE VEHICLES BE IMPROVED?

4.1 In answering this question we would want to look at two specific areas. These are drivers' hours, working patterns and rest facilities; the second is the state of the UK road haulage fleet.

4.2 According to the autumn 2005 Labour Force Survey there were 709,947⁷⁵ employee drivers by industry. Of these 54% were employed in transport, storage and communications sector.

4.3 Data from the LFS indicates that there would appear some reduction in the number of drivers who are working over 48 hours since the Road Transport Working Time Directive came into force—see Table 3.

Table 4

SOURCE FREIGHT AND LOGISTICS DIVISION DFT

<i>Year</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
HGV Drivers working over 48 hours	60%	57%	57%	56%	47%	45%

However, the Directive has only been in force for two and a half years, and it would be necessary to study the for a longer time period before drawing any firm conclusions.

The Annual Survey for Hours and Earnings (ASHE) 2007 Table 14.9a shows similar results, with 50% working more than 48 hours per week, with 10% working over 62.7 hours per week. The LFS shows 14% working over 60 hours per week.

The median working week for all employees according to ASHE was 37 hours per week, while the top 10% worked 44.7 hours a week.

4.4 It is our considered opinion that this long hour's culture is linked to the number of accidents on the roads. In 2006

4.5 According to the HSE in 2005–06, there were the 217 workers fatally injured this corresponds to a rate of fatal injury rate of 0.72 per 100,000 respectively. In 2005 109 goods vehicle drivers were killed on the roads, this includes both drivers of large goods vehicles and light goods vehicles. This corresponds to a rate of fatal injury of 15.2 per 100,000 workers.

4.6 But because the cab is not classified as their place of work, these figures are excluded from the HSE figures. We estimate that only 10% of fatalities for goods vehicle drivers are included in the HSE figures. If the accident occurs on the road it is treated as a road traffic statistics, and not a work related statistic.

4.7 This problem has been recognised both by the HSE and the police and changes to the reporting of road transport accidents (RTA) have been implemented in an attempt to capture this information.

However, we believe that the only way to ensure the proper reporting of work related RTA is to bring them under the provisions of the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDOR).

4.8 We also have concerns overloading of vehicles with containers, there should be weighbridges in every port instead of outside the ports to ensure no lorry is overloaded when leaving the port.

4.9 Also scanners that are able to see that container loads are safely lashed and have not moved during the sea journey should be used on containers that cannot be opened for various reasons.

4.10 Problems with the long hour's culture are amplified by the lack of proper rest facilities for all professional drivers. In other areas of employment including other areas of transport, people working away from home would be provided with or given the funding by their employer for suitable overnight accommodation, normally in a hotel or equivalent accommodation.

This lack of secure facilities places an obligation on the majority of cases on drivers to sleep or take their legally required rest breaks at their workplace ie the cab. Both the Government and employers are effectively encouraging professional drivers to take their rest breaks in the cab. And because their place of work is excluded from health and safety legislation, removing them from the protection currently afforded to other groups of workers.

⁷⁵ Margin of error +/- 40,000

4.11 As we pointed out in the previous paragraph, professional lorry drivers are not treated in the same way as other employees, either by their employers, the UK Government, or even by the European Commission. In 21st Britain there is currently no requirement for motorway service areas (MSA) operators or other providers to provide dedicated accommodation, eating facilities, shower and toilet facilities for professional lorry and coach drivers. Currently, rather than seeing an expansion of the services for professional drivers, we are seeing roadside facilities closing. Resulting in a further reduction in an already poor provision of these facilities.

4.12 We are also concerned that with the increasing number of foreign drivers on the UK's roads that there is a widely held belief that there are differences in driving standards between some of these European drivers and UK professional drivers. Given that there is a common licensing arrangement we believe there needs to establish if this belief is true for the safety of the general public.

4.13 In regard to the enforcement of driver hour's regulations and the safety standard of commercial vehicles we believe that there are insufficient resources allocated to enforce the legislation.

4.14 One major problem is that we have no real estimate of the size of the problem. As far as we are aware there has never been a proper national survey to identify the amount of drivers' hour's regulations breaches, or to identify what proportion of the national fleet is overloaded or does not meet the required safety standards.

Operation Mermaid, a multi agency operation involving the police, VOSA and other agencies goes some way to deal with the problem. But until the size of the problem is known, how can we know what resources are needed to combat it?

The lack of resources means that both employers and professional drivers will continue to break the law, because they know that there is little or no chance of the being pulled up and their lorry condition and driving hours checked.

4.15 Results of VOSA's vehicle checks: On the 23-10-06—the latest information we could obtain⁷⁶—in regard to roadworthiness 445 vehicles were checked (251 UK-registered vehicles and 194 foreign).

Of the 251 UK vehicles checked, 74 prohibitions were issued with brakes and tyres being the most common defects.

Of the 194 foreign vehicles checked, 33 prohibitions were issued.

4.16 In regards to traffic offences 223 vehicles were checked (130 UK-registered vehicles and 93 foreign). Of the 281 UK vehicles checked, 35 prohibitions and 25 verbal warnings were issued for drivers' hours offences.

Fifteen reports for further Investigation were issued for drivers' records/hours, and operators' and drivers' licence offences.

Of the 93 foreign vehicles checked, 19 prohibitions and 60 verbal warnings were issued.

January 2008

Memorandum from Mole Solutions (FT 45)

FREIGHT PIPELINES—AN INNOVATIVE SOLUTION TO ROAD CONGESTION

EXECUTIVE SUMMARY

1. Pipelines have been the preferred mode of transporting water (both clean and dirty), oil, gas and chemicals for decades. Imagine how congested the road and rail infrastructure would be if pipelines did not transport these products: it is the most economical, safe and environmentally friendly transport mode. The economic and environmental benefits of this mode of freight transport are well proven.

2. The Mail Rail system that operated under the streets of London for 75 years, carrying Royal Mail's post, led the world in pipelines for unitised freight. In the late 90s an RMG-led consortium studied the modernisation and extension of the system and concluded that while technically viable it appeared to be only marginally economical to do so. The consequence of this was that no further work was undertaken in the UK and the system was mothballed in May 2003. A re-examination of the costs and assumptions used in the development of the business case reveal some fundamental errors which, had they been spotted and rectified at the time, would have made the investment very attractive.

3. The problem of road congestion is a global issue and the concept of freight pipelines is being actively developed in many other countries: Germany, Italy, The Netherlands, Japan, USA and, most notably, China. All the required technologies exist and the solution is to assemble the most appropriate of them into a form that best fits the supply chains of the 21st century.

⁷⁶ <http://www.vosa.gov.uk/vosacorp/newsandevents/pressreleases/2006pressreleases/23-10-06illegalimmigrantsarrestedduringoperationmermaid.htm>

4. The benefits are:

4.1 *Social*—less accidents involving HGVs (486 fatalities and 3,200 serious injuries in 2005); less congestion, delays and frustration

4.2 *Economic*—reduced road construction and repair; reduction in direct cost of congestion (“5% reduction in travel time = £2.5 billion of cost saving, or 0.2% GDP”—*The Eddington Study*); opportunities for exploiting new technology

4.3 *Business*—improved, faster, more reliable and simplified supply chains; lower transport and packaging costs; reduction in non-productive areas at retail, logistics and manufacturing sites

4.4 *Environmental*—powered by electricity, potentially from sustainable sources; inherently more efficient use of energy (approximately 20% of HGVs energy consumption); significant reductions in all current freight derived air pollutants; noise and visual impact dramatically reduced.

5. A study undertaken in 2004 on behalf of the New York Energy Research and Development Authority examined the *Feasibility of Underground Freight Transport in New York City*. Six different applications were studied including the transportation of solid waste, distribution of palletised goods and dispatching of shipping containers. All the applications were confirmed to be technically and economically feasible which, if implemented, would remove 70% of the truck movements from the streets of New York.

6. Volume 3 of *The Eddington Study* is intended to “Open up the full range of policy options” but these options did not include modal transfer of freight to rail, water or pipeline.

7. The development cost and timescale of a significant freight pipeline system compares favourably with that for road pricing and the business case should be developed to the same level of accuracy as that for road pricing.

QUESTIONS

- Why have pallet carrying pipelines not been developed in the UK?
- What percentage of truck movements could be removed from the roads of the UK if freight pipelines were developed?
- What would be the effect on congestion of taking x% of freight vehicles off the road network?
- What would be the potential benefits of combining road pricing and freight pipelines?

Mole Solutions was formed in 2002 with the objective of developing this environmentally friendly freight transport system. We strongly believe that the UK needs to examine and develop this concept and fully participate in influencing and shaping the next freight transport revolution designed for the 21st century.

1. Introduction

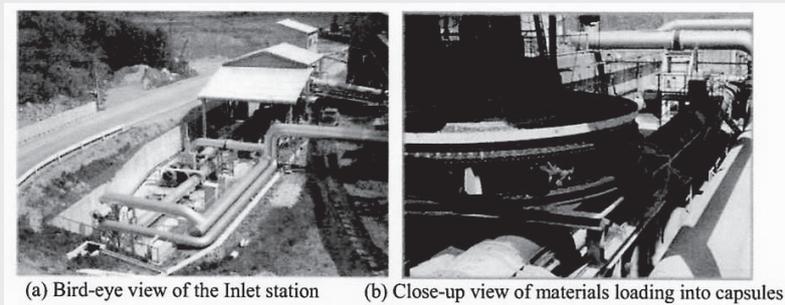
Pipelines have been the preferred mode of transporting water (both clean and dirty), oil, gas and chemicals for decades. Imagine how congested the road and rail infrastructure would be if pipelines did not transport these products: it is the most economical, safe and environmentally friendly transport mode. The economic and environmental benefits of this mode of freight transport are well proven. This submission presents:

- a summary of the global developments in freight pipelines;
- lessons from the global development;
- benefits of this mode of freight transport; potential applications;
- the technologies required;
- the potential UK picture;
- candidate site for the first application; and
- fundamental questions to be considered.

2. Global developments

2.1 The problem of congestion is a global issue and the concept of freight pipelines is being actively developed in many other countries: Germany, Italy, The Netherlands, Japan, USA and, most notably, China. All the required technologies exist and the solution is to select and assemble the most appropriate of them into a form that best fits the UK supply chains of the 21st century.

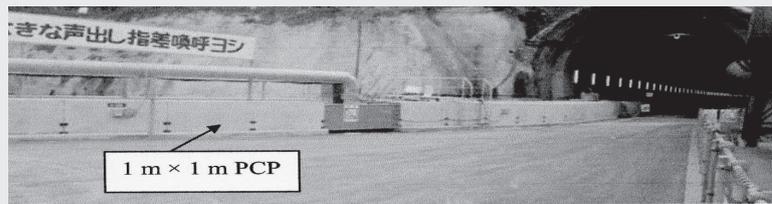
In Japan Pneumatic Capsule Pipelines have been used with both round and rectangular cross-sections for transporting minerals.



(a) Bird-eye view of the Inlet station (b) Close-up view of materials loading into capsules

Figure 15 The inlet loading system of PCP transport of limestone in Kuzuu, Japan; 40-in-diameter steel pipe is used in this project. (Courtesy of the Sumitomo Metal Industries, Ltd.)

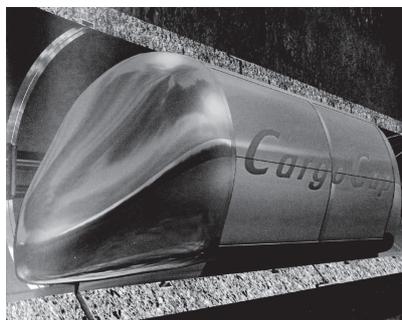
And for constructing long tunnels for bullet trains



(a) Tunnel entrance



2.2 In Germany the CargoCap system has been in development since 1998 and a test track has been operational since December 2006. The CargoCap Project was awarded the Deutschland—Land der Ideen Prize in 2006 and recently mentioned in the Economist as an emerging transport solution of European significance.



The capsule here is designed to carry two pallets.



The internal test track.

2.3 In the USA, a study undertaken in 2004 on behalf of the New York Energy Research and Development Authority examined the *Feasibility of Underground Freight Transport in New York City*.

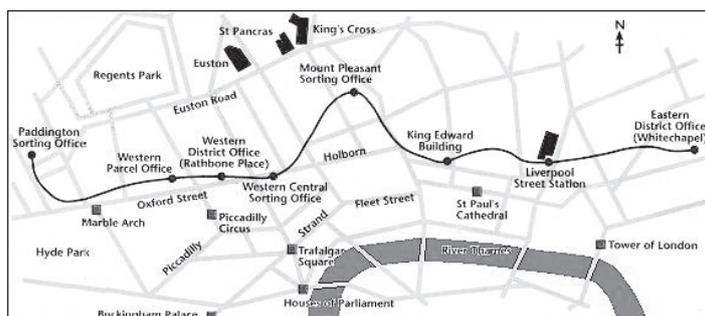
Six different applications were studied:

- supporting tunnelling for new utilities—materials in, waste out;
- taking rubbish to remote treatment and disposal sites;
- collecting and distributing mail and parcels;
- transporting palletised goods;
- taking freight containers from ports to inland destinations; and
- ferrying complete road trucks off roads.

All the applications were confirmed to be technically and economically feasible which, if implemented, would remove 70% of the truck movements from the streets of New York.

2.4 At the international freight pipeline conference held in Dallas in March 2008, the Chinese delegation presented papers on their development projects, which include palletised goods distribution systems for major cities, and the movement of shipping containers at Yangshan, the major container port for Shanghai.

2.5 In the UK, the “Mail Rail” system operated under the streets of London from 1927 until May being “moth-balled” in 2003.





Units 653 & 596, of the original 1925 four-wheeled stock
courtesy Royal Mail

2.6 In the late 90s an RMG-led consortium studied the modernisation and extension of the system (the Metrofreight Project) and concluded that while technically viable it appeared to be only marginally economical to do so. In 2004 Royal Mail invited proposals for alternative uses of the tunnels and Mole Solutions proposal was the only freight solution in the short list of three, although none were progressed for commercial evaluation. Since then a re-examination of the Metrofreight costs and assumptions used in the development of the business case reveal some fundamental errors which, had they been identified and rectified at the time, would have made the investment very attractive.

3. *Lessons from global development*

- First and foremost, it's a vital business issue and not an academic exercise, academia has a role to play in the development of the concept but the development should be business led.
- Crucial to “Size the TOTAL Prize” not just the direct cost savings. The experience of the oil industry in identifying indirect cost benefits and environmental advantages should be added to the direct savings of automation, energy efficiency, etc.
- The fundamental business process is the Supply Chain and the proposed system must fit with existing operations.
- All the required technologies exist—the answer is to develop the “smart” solution.
- The Chinese already have full governmental backing and look likely to implement the first freight pipeline systems: solid waste; urban distribution; shipping container movement.
- Underground freight movement is potentially as important a transport step as the Stockton to Darlington steam railway.

4. *Benefits of freight pipelines*

These are well established in the oil, gas and chemicals sectors and can be grouped as follows:

Social:

- Less accidents involving HGVs, responsible for 486 fatalities and 3,200 serious injuries in 2005.
- Less congestion delays and related frustration.

Economic:

- Reduced road construction and repair as HGVs are largely removed from the motorways and A-roads. The cost of repair for the proposed capsules system are much less as they are much lighter than HGVs and have many fewer moving parts.
- The most cost effective way of increasing transport infrastructure capacity.
- Benefits from reducing the direct cost of congestion. The Eddington Study cites that a 5% reduction in travel time is equal to a cost saving of £2.5 billion, or 0.2% of GDP.
- Opportunities and spin-off's arising from applying the new technology.

Business:

- Improved, faster, more reliable and simplified supply chains.
- Lower transport and packaging costs.
- Less inventory, less warehouse space.
- Reduction in non productive areas at manufacturing, logistics and retail sites.

Environmental:

- Energy potentially from sustainable sources—much lower carbon footprint.
- Inherently more efficient use of energy.

- Significant reductions in all current freight derived air pollutants.
- Noise and visual impact dramatically reduced.

5. *Potential applications*

Three discrete sizes of pipelines are being developed around the world:

- 1.0m internal diameter for the mining sector, major construction projects, solid waste collection and the postal and package sectors;
- approximately 2 metre diameter for conventional palletised and roll cage systems;
- 4.5 metre diameter for the transport of shipping containers from congested ports to secure inland centres.

Ultimately, the extent of the network could be analogous to the pre-Beeching rail network when every town had its own freight yard and many major manufacturers had their own sidings for direct access to the network. It is proposed that freight pipelines could be laid beside, or under the existing transport infrastructure thus reducing the planning and construction time. The cost of construction is dependent on the size of pipe and the method of laying the pipeline. For example, a 2 metre pipeline costs about £0.5 million per kilometre when laid in “cut and fill” trenches and approximately four times that when bored.

6. *Technologies required*

Operating examples exist in all elements of the required technologies:

- Tunnelling and civil engineering—no new challenges (Arup);
- Propulsion—linear induction as already used on Heathrow T1—T4 baggage transfer and Schiphol;
- Capsules—automated baggage systems; Japanese have operated a capsule pipeline system since 1983; Mail Rail was a rail based underground automated system;
- Materials handling—many sophisticated, reliable, cost effective systems;
- Tracking and control—Baggage handling systems; post and parcel sortation;
- IT—numerous examples already exist of complex systems: space, telecommunications, banking, transport, etc.

The winning combination puts these, and other already proven technologies, together in the ideal package.

7. *Potential UK picture*

As with any other infrastructure network the benefits of the system increase with the geographic coverage. All network systems, eg road, rail, telecommunications, have to start somewhere and increase in size as the awareness of the benefits and economic viability are established. The Eddington Study concluded that “. . . Logistics companies can deliver to over 75% of the UK population from their West Midlands warehouse hubs in a half-day truck drive.” This area covers 80+% of the UK’s GDP and is served by approximately 1,100 miles of motorway and trunk roads.

8. *Candidate sites for the first application*

The Eddington Study recommends the priority areas as: “congested and growing city catchments; key inter urban corridors; key international gateways.” Therefore a system serving London, much like that proposed in the Metrofreight Project of the late 1990s is a strong candidate. Likewise, a system serving Merseyside would meet all three of The Study’s criteria.

9. *Fundamental questions*

Our work to date has given rise to some pertinent questions:

- What percentage of truck movements could be removed from the roads of the UK if freight pipelines were developed?
- What would be the effect on congestion of taking x% of freight vehicles off the road network to rail, water or pipeline?

- What would be the potential benefits of combining the two initiatives: road pricing and freight pipelines?
- Can government be persuaded to seize the opportunity and take the initiative to investigate this form of infrastructure movement as they clearly hold the vital key to unlatching the door and bringing together the co-operation needed to investigate viability and go on to exploit the future opportunities?

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