



Freight Customer Panel

Themes and Issues

13 July 2015

Summary

The freight customer panel is part of ORR's wider commitment to engage directly with freight customers. The panel provides a structured forum for engagement and helps to ensure that our policies and regulatory decisions take into account the commercial environment that freight customers work within. The panel members will assist us by contributing views, expressing opinions and advising us on freight customer interests or issues.

This note summarises the main themes and issues that were discussed at the second meeting of the Freight Customer Panel. The meeting was chaired by John Larkinson, Director of Economic Regulation, at ORR.

Themes

1. The panel's discussion focused on:
2. *Discussion: Hearing from freight customers*– freight panel members told us about their commercial context, specifically; their current and potential use of freight; interfaces between rail and road; what they find most challenging and where they think ORR could help.
3. *Highways Monitor Presentation* – John Larkinson presented on our new role as the Highways monitor. This presentation covered the challenges of our new role and our monitoring framework.

Issues discussed:

Item one – hearing from freight customers

1. Rob Brook (VTG) gave us some background on VTG Rail, which is the UK's largest private wagon lessor. VTG is not a customer of freight but all of its customers are and it provides them with the key resource of wagons. One of the major challenges it faces is that the price differential between maintaining freight on rail and it moving to road is marginal and with this economic constraint it is difficult to introduce more efficient, but more expensive rolling stock. Developing a much more attractive TAC regime to incentivise the introduction of such rolling stock should be a priority. Robert also mentioned that he would like to see a scrappage scheme for 'trading in' old wagons.
2. Martin Woor (Hutchison Ports UK) gave us some background on Hutchison Ports (UK). Hutchison Ports (UK) owns and operates two deep sea container ports in the UK, Felixstowe and London Thamesport. As an integral part of these facilities HPUK operates out of a total of four intermodal rail terminals, three at Felixstowe and one at London Thamesport. Martin explained that one of the main issues HPUK faces is that rail services operating to and from the Port of Felixstowe have to run on a single line between Felixstowe and Ipswich. Consequently disruptions can have a major impact on business, with little or no contingency or slack in the system to deal with delays. Martin also highlighted the fact that HPUK has a requirement to turn-round 30 train services in a 24 hour period and that the timely arrival of the inbound service is crucial in ensuring the reliability of service. Reliability and regularity of service is key in the deep-sea intermodal sector where of course the main competitor is road haulage.
3. Chris Swan (Lafarge Tarmac – Tarmac from August 3 2015) gave some background on Lafarge Tarmac. Lafarge Tarmac shifts about 15% of goods by rail and is looking to move more products by rail in the future. Chris said that he would like to see the industry show an understanding of the effect disruption has on freight customers. Another concern was raised around the time it takes for projects to be completed and the bureaucracy surrounding them. Chris would also like to see a charging structure that encouraged everyone to be responsible users of the network. He also said that the construction industry does need some flexibility in the way that rail paths are managed in order to serve major projects, and that Tarmac are exploring ways of moving products by rail that are currently all on road.
4. David Turner (WH Malcolm Logistics) gave some background on Malcolm Logistics. Malcolm Logistics is predominantly a road based business, but offers a full multimodal product. David has seen improvements in the reliability of rail but says that it still takes a long time to recover from the impact of network disruption. He

recognises that safety is a very important area but he says rail is far more bureaucratic than road. David sees the panel as a very good way of giving feedback and bringing freight customers closer to the network. He did raise an issue with freight services, the lack of daytime paths means that a lot of services arrive and depart at the same time (early morning and late evening) which reduces the number of services many terminals can handle due to wagon occupancy.

5. Paul Garnham (MscUK) gave some background on the Mediterranean shipping company (UK). One of the main issues that Paul raised was how both the road and the rail infrastructure would deal with growth. He also added that rail needed to be clear and transparent.
6. Other points were made more generally relating to route based data and how the devolved routes would work together, which is a crucial question for freight customers as they operate nationwide, across many routes. It was recognised that passenger disruption appears to receive a lot more attention than freight disruption but that Network Rail, on some levels, does communicate well about disruption on the routes. We spoke about the cap on Network Rail's borrowing and how this will affect different freight projects.

Item two – New role for ORR as Strategic Highways Monitor

15. John Larkinson introduced our new role as the Strategic Highways Monitor. The Highways Monitor was established to monitor the performance and efficiency of Highways England (previously the Highways Agency) in its management and enhancement of the strategic road network – the motorways and main 'A' roads in England.
16. ORR has this new role because the government is now providing Highways England with greater decision-making powers and increased longer-term funding to manage the strategic roads network and it requires assurance about the levels of performance and efficiency that Highways England is delivering. ORR's independent monitoring and enforcement will provide that assurance.
17. At a high level our role has four main aspects:
 - to monitor how well Highways England is delivering against the performance specification, investment plan and aspects of its licence, to publically report our findings and to advise the Secretary of State.
 - if there are problems with delivery, to require improvement and potentially levy a fine (together, enforcement)

- to advise the Secretary of State on the development of the next Road Investment Strategy (RIS) including advice on deliverable efficiencies; and
- to advise the Secretary of State on any other relevant issues as requested.

18. John Larkinson outlined the next steps in our road work, which is to;

- Engage with key stakeholders, to gain more of an understanding of the road sector
- Build our highways monitor team and capabilities
- Work collaboratively with Highways England to understand its business and its plan
- Continue to develop a robust monitoring framework
- Form initial views on performance delivery and efficiency, publishing our findings
- Realising synergies across road and rail functions
- Understanding best practice – what can we learn from comparators?