



## FREIGHT TRANSPORT ASSOCIATION

Richard Owen  
Office of Rail Regulation  
One Kemble Street  
London  
WC2B 4AN

1 February 2012

### **Periodic review 2013: Consultation on incentives**

Dear Richard,

This letter is to respond to the ORR's consultation on incentives, as part of the periodic review process.

The Freight Transport Association (FTA) represents over 14,000 companies spread across the UK relying on or providing the transport of freight both domestically and internationally, to or from the UK. Our members involved in rail freight include shippers of bulk, deep sea and domestic intermodal and retail goods, and also freight operating companies and logistics service providers, accounting for approximately 90 per cent of goods moved by rail.

FTA's primary rail freight focus is to represent the shippers – the ultimate end users – of rail freight. To this end we will comment on the issue of incentives as we see it impacting customers and the freight market as a whole. For a more technical response we would recommend the ORR consider the views of the Rail Freight Operators Association, whose perspective we share on these issues.

As context to this work, it should be borne in mind that the primary needs of customers of rail freight are for:

- Low costs
- Flexibility of service
- Predictability

Shippers in the major growth areas for rail freight (eg retail, unitised goods) work in the context of road freight. This mode still dominates operations and is the default choice. Road freight is characterised by immense flexibility and responsiveness. It is also a highly competitive market, with prices kept to a very low level, allowing for the high cost of fuel.

It is this context of this flexibility and responsiveness that rail freight needs to perform. In general, incentive regimes need to encourage Network Rail to offer flexibility to freight operators, and to enable those operators to provide such flexibility to their customers.

The performance of Network Rail should be more closely judged according to criteria set in conjunction with the freight operators. Single national metrics may not apply uniformly to different types of freight movements.



Overall this package of measures as has emerged through consultation appears largely acceptable.

There are some specific aspects we would add a particular comment on.

It has been noted that the freight performance measure may not adequately reflect good performance. For example, late departures may have a beneficial impact for customers and be regarded as a positive, while genuinely on time arrivals are crucial.

On the subject of reservation charges or capacity charges, we would want to see any future use to have a demonstrable link to changes in behaviour, rather than simply being another charge upon rail freight. If the only effect is to be an increased charge then it will damage the commercial position of rail compared to road at the margin.

It is unclear if there is sufficient incentive for good performance for new, as opposed to existing, freight traffic.

We hope these observations are of use

Yours sincerely,

A handwritten signature in grey ink, appearing to read 'C Snelling'.

Christopher Snelling  
Head of Supply Chain Policy, Freight Transport Association