

PRESS RELEASE



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Freight needs innovation, investment and stability

All parties in the rail industry need to work together to create an environment for future growth in freight transport, for the benefit of the UK economy, says John Smith in an article for the November edition of Transport Times.

Before privatisation, the rail freight industry was in steady decline. In large part, this was due to Britain's deindustrialisation process, which saw off many of the industry's natural customers.

But privatisation was a huge success story for the rail freight industry. The industry managed to turn itself around and as a result the amount of freight transported by rail in the UK has increased from 13.5bn net tonne-km at privatisation to 22.9 billion net tonne- km in 2011-12.

We are starting to see average modal shares for freight on rail at around the levels of countries in Western Europe. Indeed, independent forecasts suggest that the industry could double in size and volume over the next 30 years. That said, the next few years are not going to be easy. The economic downturn of the last few years has meant that tough but necessary decisions have been made to cut costs across the rail industry.

Two years ago the McNulty review called for some serious belt-tightening. The ORR's determination last month was the natural development of this process and shows us what streamlining industry finances means in practice.

While the determination says that Network Rail is set to receive £21bn in funding between 2014 and 2019, the regulator is also asking it to cut 20% off the final bill. At the same time, the ORR said safety and network resilience need to be improved.

Going forward the industry will need to innovate, invest and work together to maintain and grow Britain's railways -and ultimately the jobs and economic growth that they support.

My company, GB Railfreight, is testament to the success that privatisation had on the industry. The first contract we won was with Railtrack in April 2000. Since then, the company has entered the coal market and within a year increased its market share to 30%. GB Railfreight currently holds 12% of the rail freight market.

It was the first company to have regular contracts to transport biomass and continues to be the market leader in this area. It operates around 675 trains a week, cementing its position as the UK's third largest freight operator ranked by the number of trains

run.

The story of GB Railfreight so far has taught me some important lessons.

First, that innovation is a critical means through which to reduce costs for our customers and for the industry as a whole. To these ends, we have partnered with Network Rail to run a "performance partnership" whereby we are testing the latest technologies and initiatives on our locomotives in order to increase quality, reduce costs and open up additional capacity on the network.

For example, GBRf, in collaboration with Network Rail and 21stCentury Technology, has begun to install forward-facing CCTV cameras in drivers' cabs in 50 of its Class 66 trains. This will be invaluable in investigating incidents and ensuring normal service can be restored quickly and efficiently.

Innovative technologies such as these need to become the norm across the industry as they will help cut costs, improve services for passengers and freight customers, and help Network Rail achieve a "predict and prevent" approach to maintenance.

The ORR's determination recognised that there needed to be "more efficient ways of working" and it is testament to Network Rail that it is already piloting these for freight. Second, we need to maintain a stream of steady investment to enable the industry to flourish. Industry intelligence suggests that freight operating company investment since privatisation has been in excess of £1.5bn.

Through innovation and investment, the industry is doing the right thing. But we need to have some stability and reassurance to allow us to plan for the future growth of the market.

We need a long-term charging framework to unlock considerable continued investment and maximise the benefits from the £500m which the Government has already invested in or committed to boosting the capacity of the freight network.

The regulator, the freight operating companies, the newly revised Rail Delivery Group, Network Rail, the Department for Transport — all need to work together to create the correct environment for future growth.

Too often, the rail freight industry is overlooked by policymakers. But I genuinely believe that it is important that we keep banging the drum. Not just for the betterment of my own company, but because rail freight creates jobs and keeps our economy moving. It supports our passenger services by clearing the tracks and helps to build new infrastructure.

So as a highly competitive industry that has reaped huge economic benefits for Britain, rail freight needs to continue to work with its partners to create the right environment to secure long-term investment and innovation in the UK freight market. Only this will allow us to continue to be the backbone of the British economy.