



Freight costs rise will have damaging impact, says MP



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CONCERNS have been expressed about the impact of raising the costs

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for [freight](#) to use the UK railway network.

The Port of Immingham generates a substantial share of the activity, with [imported](#) coal heading straight to the regional power stations, ensuring everything powered by electricity in Britain is kept on.

INCREASE: Flashback to Michael Portillo on a train at Immingham rail terminal, main picture. The GB Railfreight loco was named The Port of Immingham Centenary

Tata Steel, at Scunthorpe, is also a major user of the network, with track also a major [export](#) from the town.

The Office of Rail Regulation (ORR), the independent safety and economic regulator for Britain's railways, closes consultation on caps and mark-ups on certain freight track access charges on August 10, with coal and iron ore at the centre of increase proposals.

One of the review's objectives is to make freight operators pay a greater contribution to track costs to reduce cross subsidy from the passenger sector, therefore lowering Government grant. The review acknowledges the significant environmental benefits of rail freight - switching from roads reduces CO2 emissions by an average of 70 per cent per tonne, but the regulator is concerned about a growing imbalance between the £55 million income from freight access charges in the last financial year, compared with the additional avoidable costs which Network Rail are said to incur from providing [freight services](#) - assessed at £200-£250 million per year.

The main proposal is for a substantial new freight charge for power station coal traffic, thought to be the sector where traffic is least likely to transfer to road, subject to a price cap to prevent a fall in traffic of more than a certain percentage (with 10 per cent as the suggested figure). ORR are also considering introducing a similar levy for iron ore and possibly in the future for biomass

Cleethorpes and Immingham MP Martin Vickers, a member of the Commons' All-Party Rail Group, attended a talk from the ORR, together with a Tata representative. Mr Vickers said: "25 per cent of rail freight starts in Immingham. I have told ministers of the monstrous damaging impact that overcharging will have. It needs to be in proportion.

"We do not want to deter the movement from road to rail.

Government is trying to reduce the cost to the tax payer of running the railway, which is fine in principle, but if they do over charge then that's clearly going to have a damaging impact on the environment and we are never going to get more traffic on to rail. I have flagged it up with Theresa Villiers (Minister for Transport with responsibility for rail policy)."

The other main aspect is to obtain views on the variable usage charge which needs to be paid by passenger and freight operators in order to recover direct track **costs** as a basis for ORR setting a cap on the average level of charge.

The cap proposed for freight is 5 to 7 per cent uplift on the previous price review with a 15 per cent downward adjustment for efficiency, and a 15 per cent confidence level (which could lower the benefit of the efficiency improvement).

'Ports need to be closely involved'

ABP Grimsby and Immingham's views on the access charge issue are being carried through the UK Major Ports Group (UKMPG), where executive director Richard Bird has been working on the issue, and is finalising the official response to the consultation.

He said: "This is clearly an important consultation with potentially significant implications for ports as major generators of rail freight and specifically power station coal and iron traffic.

"Port related traffic now represents more than half of total rail freight and major ports such as ABP Immingham have put a large amount of investment into improving rail freight facilities

"There needs to be continuity in track access charge policy in order to encourage long term investment into rail freight. UKMPG has reservations about the concept of the additional levy for individual freight sectors. It is important not to make changes which could cause sudden shifts of traffic between port terminals; ports need to be closely involved in the technical work underpinning the proposed 10 per cent price cap

"We welcome the proposed minimum 15 per cent efficiency improvement as a first step but want to see more ambitious savings in order to reduce costs and stimulate additional business.

"There is a clear need for good continuing investment by Network Rail in rail freight links to ports and we welcome the additional funding for rail freight announced as part of the forward £9.4 billion future rail investment package."

A spokesman for Tata Steel in Scunthorpe said: "The rail regulator's proposals, as they stand, would significantly increase our rail freight charges, providing another example of an unnecessary regulatory cost being imposed on UK industry. This move would further undermine the competitiveness of steelmaking in the UK - and Scunthorpe in particular - and we will make our objections very clear during the forthcoming consultation process."

Responses to the consultation paper at www.rail-reg.gov.uk/pr13/PDF/freight-charge-consultation-may2012.pdf, can be sent to joe.quill@orr.gsi.gov.uk