

ORR's Sustainable Development and Environmental Duties

Consultation Response from Rail Freight Group

December 2006

1. ORR are currently consulting the industry on the development of its Sustainable Development and Environmental duties. Rail Freight Group (RFG) is pleased to respond to this consultation.
2. Environmental performance is a key factor in the future success of rail freight. New customers are often attracted to rail freight because of the environmental benefit and carbon savings it can deliver to their business. In assessing the business case for Government support such as freight grants and network investment, the environmental benefits of rail over competing modes is a significant element.
3. Whilst rail freight has a significantly better environmental performance than most competing modes, it is recognised that there is a need to progress improvements over the medium term. RFG therefore welcomes the industry initiatives which are researching such improvements. However it is vital that, in pursuit of these, the strong message about rail's current environmental benefit is not lost, or underplayed.
4. As with safety regulation, it will also be necessary to ensure that measures to improve rail's performance are not 'out of step' with measures being taken in other modes, and that the costs of making such improvements are treated with great care, to avoid additional costs falling to rail alone.
5. This response now sets out our comments on the areas in the ORR's document.

Sustainable Development in the Wider Context

ORR Role and Duties

6. Naturally, ORR's duties relate specifically to the rail sector and the same is true of other organisations such as RSSB. The focus of attention is clearly the performance of the rail sector. However, in considering environmental performance, it is necessary for ORR to consider the role of rail within the overall UK transport sector, and to set its duties and metrics according to that. This means that a wider scope will be required.
7. For example, it would be possible for ORR to set a metric of rail reducing its total carbon emissions. This could be easily met by running fewer trains, and creating a modal shift back to road, to the detriment of overall UK carbon emissions. Indeed it could be argued that an increase in rail's overall carbon emissions would be a success for UK transport strategy if

this was as a result of modal shift.

8. We therefore think that the ORR's specific aims should include explicit reference to the wider UK transport system. For example, 'that the railway industry should better understand its sustainable development performance *in the context of overall UK transport performance*
9. In prioritising aims and actions, those which support and encourage modal shift to rail should be targeted. This delivers carbon savings today, whilst research programmes, although important, will take several years to come to fruition. This suggests that ORR duty to promote the use of the network for freight (etc) is fully aligned with environmental aims and should be given strong emphasis in ORR's activities.

Government Context

10. The publication of the Stern and Eddington reports will undoubtedly impact on overall Government strategy and specific areas associated with the rail industry. ORR will need to ensure it remains closely involved, and promote the case for rail in such developments.
11. The emphasis within Eddington on comprehensive appraisal, and on all modes paying for their own externalities is likely to lead to some significant changes in appraisal framework. Areas such as the ORR's proposed environmental fee may be best left until there is clarity on such changes, and the treatment of other sectors.
12. ORR should also outline its links with other government departments e.g. Defra, TFL, Highways Agency etc and explain how the targets and strategies of other departments are complementary to those of the ORR in achieving overall environmental improvements within the transport sector.

Current Industry Initiatives and Our Proposals

Key Performance Indicators

13. We recognise the need to have appropriate data to enable rail to understand its performance, measure improvements, and to use in marketing itself as an environmentally friendly mode. There must however be a balance here between those needs and the effort of collection and analysis. We would favour a few key KPIs over a wider range of measures as this would minimise the reporting burden for our members yet still allow information to be publicised.
14. If KPIs are to be useful in promoting the case for rail, the information will need to be comparable with that of other modes. For example, different studies show rail freight to be between 3 and 12 times better than road transport – the wide range of outcomes depending on the particular average data set used. So more detailed rail data will only be useful in this

sense if matching road data is available. This suggests that KPIs should be matched to those in other modes where possible.

15. The presentation of KPIs should also be considered so that the environmental success of rail is promoted, for example, they could be published alongside data from other modes.
16. It may be appropriate to speak to customers of rail freight to determine their requirements. Many companies now have specific targets relating to their carbon footprint, and the presentation of rail data should help them to see how rail can contribute to this.
17. Although the collection of data would be a matter for the operators, we consider that this should be done through the statistical collection processes which already exist. Commercial confidentiality needs to be respected where appropriate.

Network Rail Business Plan and RUSs

18. We have no issue with the merger of Network Rail's Business plan and Safety and Environment plan.
19. We would be concerned if the proposals relating to the sustainability of RUSs acted against the development of more capacity or capability. This could be captured by a change of wording such that 'the documents should set out the sustainable development impacts *for the UK as a whole* of the strategies proposed. This would ensure that modal shift effects were properly captured.
20. We are not however convinced that such a measure within the RUSs would lead to any significantly different outcomes from the studies.

Sustainable Development Research

21. We agree that it is appropriate for the industry to progress research into improving its environmental performance. Whilst the RSSB work is at an early stage, some elements of it are likely to be significant for rail freight.
22. We do not see that further safety research needs to be a particular priority for the industry at this time.
23. In other sectors including other transport modes, research is ongoing in similar areas. ORR or RSSB should ensure that they are aware of such work, and pressing for rail to be included in the scope of other schemes and studies (for example, DfT's Green Transport Grant scheme). This will reduce the need for rail to undertake bespoke research.
24. ORR & RSSB should also have a role in lobbying Government to ensure that the funding and taxation framework promotes rail's sustainable

development. For example, the tax levels on 'green' fuels are currently unaffordable compared to those on current fuels.

Incentives Framework and Access Charges

Variable Usage Charges

25. The current structure of charges has been successful in promoting use of more track friendly bogies for new or refurbished wagons.
26. We do however have some concerns of a differential treatment of train weight linked to the environmental outputs. Whilst a heavier freight train will use more fuel than a lighter one, in total it may actually use less fuel than the 2 light ones that would be necessary to transport the same volume of goods. Heavier trains, particularly for bulk traffic could be an appropriate way of improving network capacity on certain routes and must not be discouraged.

Financial Incentives

27. Our comments on the proposed environmental fee were set out in our response to ORR's Structure of Charges consultation. This was as follows;

'We would oppose such a charge. This is because;

- You cannot treat the rail network in isolation, and as set out many times above, an increase in rail costs will cause traffic loss to road, which is generally acknowledged to have a worse environmental performance. Therefore the incentive effect is perverse. (for example, rail freight produces eight times less CO₂ per tonne – km than HGVs)
- It is not clear to us why ORR is choosing to pursue an environmental charge on rail transport when there are no current proposals for a similar (and higher for the above reasons) charge for the use of road transport.
- It is not clear what environmental behaviour is expected to be driven by the charge that is not covered elsewhere (or could be better covered elsewhere). For example,
 - i. Diesel engine emissions and noise are covered by European regulation; use of ultra low sulphur diesel is required by 2008
 - ii. Use of alternative fuels requires research and development which is being progressed by RSB and DfT – but it is too early to incentivise their use
 - iii. Schemes which require capital investment (such as regenerative braking, greater use of solar power etc) are unlikely to be solved by an incentive framework as the costs

would be too high. These are therefore surely better considered under the investment programme, HLOS etc.

28. Of course, once the recommendations of Eddington are taken forward, such that all modes are required to pay the cost of their own externalities, then such a fee would become more appropriate, if properly aligned with other modes.
29. Meanwhile, perhaps an environmental bonus could be paid to traffic which has exceptional environmental performance, perhaps measured against competing modes, or other rail traffic. This would provide an incentive effect, without penalising all flows.