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Iain Stewart MP
Transport Select Committee
House of Commons
London, SW1A 0AA

By email

25 August 2023

Dear Iain,

Rail Partners' response to the Transport Select Committee's inquiry on strategic transport objectives

Rail Partners welcomes the opportunity to respond to the Committee's inquiry looking at the Government's strategic transport objectives.

The Department for Transport has, in recent years, produced a number of documents setting out the Government's plans for the railways, namely, the Plan for Rail White Paper, the Integrated Rail Plan, the Transport Decarbonisation Plan, and the Future of Freight Plan. However, in isolation, these plans do not offer a single strategic vision for how the Government believes rail can fulfil its role as the low carbon spine of the UK's transport sector. Furthermore, progress on the delivery of these plans to date has been delayed.

I am writing to you to provide a high-level industry perspective on the Government's progress made against the delivery of the plans, focusing on those concerning operational strategic transport objectives, rather than infrastructure. Should the Committee wish to discuss the content of this letter, Rail Partners would be pleased to provide further detail as required.

Plan for Rail

At the George Bradshaw Address earlier this year, Rt Hon Mark Harper MP laid out his vision for rail reform in front of leaders of the rail industry. In his speech, he set out his plans to create Great British Railways (GBR), to act as a strategic guiding mind, providing greater coherence and clearer accountability for the rail industry. He indicated plans to harness the commercial expertise of private sector train operators by evolving National Rail Contracts (NRCs) and introducing new Passenger Service Contracts (PSCs). He also indicated creating a greater role for Open Access Operators and said Government would establish a rail freight growth target.

The Secretary of State was clear that his reform plans had the backing of the Prime Minister and the Chancellor, signalling to industry that Government had real intent to drive forward momentum on reform. However, it now appears that legislation to create GBR is not a priority for the Government and therefore might not be included in the upcoming King's Speech. Although this is not certain, if reform doesn't happen, this may have the impact of lowering expectations for meaningful reform across the industry, with the result of continued blurring of accountabilities, an outdated fares system, plateauing passenger numbers and millions of pounds in reduced revenue and higher costs. Further, the Secretary of State committed to publishing the Government's response to the GBR legislative consultation by the summer, which is yet to be seen, and an announcement of a Freight Growth Target later this year.

In terms of reforms that can be achieved without legislation, progress has been relatively limited. Progress to evolve the NRCs is ongoing but is slow. In the absence of legislation, this needs to be made a priority, ensuring an evolved contracting model allows train companies to deliver for passengers by enabling operators to better attract customers and achieve financial sustainability for the industry. The full potential of open access should also be realised on long-distance routes. The fares structure should be reformed to ensure passengers get the best deal, which includes enacting the industry's longstanding fares reform proposals to deliver single-leg pricing across all operators and digital tickets. Alongside this, cost and revenue must be reunited in one Department (and then within the new arms-length body when it is established), to remove perverse incentives where the DfT is focused solely on costs, and the Treasury (HMT) on revenue.

In order to deliver better outcomes for customers and taxpayers, and support wider Government objectives of economic growth, and to meet legally binding net zero targets, Government needs to recommit to delivering its flagship rail plan.

Transport Decarbonisation Plan
The DfT's Transport Decarbonisation Plan, published in 2021, pledged to deliver an ambitious programme guided by Network Rail's Traction Decarbonisation Network Strategy (TDNS) to decarbonise the railways. We understand that the TDNS will not be implemented, and consequently, GBRTT is working on a different routemap. Government now needs to set out further detail on this routemap, along with the timescales for delivery. This will enable private sector operators to make significant complementary investments, for example in new trains, to accelerate the transition to net zero.

Some passenger and freight operators have taken the initiative of trialling the use of 100% renewable Hydro-treated Vegetable Oil (HVO) to fuel trains. There's growing interest in HVO from operators as a way of delivering significant carbon reductions (of up to 90%) by replacing conventional diesel used in trains. This is also driven by the fact that there has been limited progress on rail decarbonisation with, for example, little in the way of new electrification schemes announced.

Rail is already the most carbon-friendly way to move freight and the lowest emitting form of mass passenger transport. Thus, a sustained recommitment to decarbonising the railway is critical to the Government achieving its net zero goals.

Future of Freight Plan
Whilst the Future of Freight Plan, published in 2022 and set out the government's long-term vision for the UK freight sector, was a step in the right direction, we must be more ambitious on the potential of rail freight to offer a low-carbon element to the country's supply chain. Increasingly, customers are looking to rail for a sustainable logistics solution, and in some cases rail freight is exceeding pre-pandemic volumes. The headline policies in the plan, such as the National Freight Network to remove the barriers which prevent the seamless flow of freight, have not been established yet. Broadly, we welcome a cross-modal approach to the freight and logistics sector, which has previously been missing within DfT. Especially with the creation of the Freight Energy Forum to collaborate with industry on the infrastructure necessary.

Rail Partners

To realise the full benefits of rail freight, the government must deliver an ambitious rail freight growth target of trebling rail freight by 2050. This will create a minimum of nearly £5.2bn in economic benefits annually and remove over 20 million HGV journeys from the road network each year, helping to decarbonise supply trains and improve air quality – and move the transport and logistics sector further towards net zero.

To meet this target the sector must be supported by the right policy framework. Rail Partners has called for Government to expand the system of schemes, grants, and incentives which promote rail freight as the pillar of a low-carbon freight and logistics sector and support the sector's decarbonising initiatives. These include increasing the Mode Shift Revenue Support (MSRS) scheme and widening the Freight Facilities Grant (FFG), as well as introducing incentives to increase the use of low-carbon fuels, such as HVO, to support the transition away from diesel within the rail freight sector. These measures would encourage more private sector investment from freight operators.

A level playing field

Rail Partners believes that to support a growing green economy, a level playing field across transport modes is needed to encourage people and goods to be transported by rail. Transport policy, fiscal, and investment decisions should reflect the environmental, social, and economic benefits of rail and other forms of public and shared transport. The government needs to look holistically at how it supports different transport modes to encourage people and businesses to make greener choices in transport and logistics. While measures helping with the cost of living are clearly welcome, freezing fuel duty for the 13th consecutive year, set against a 5.9% increase in rail fares earlier this year, has the unintended consequence of making a low carbon form of transport relatively less attractive. (APD cuts on domestic flights has a similar impact). There also need to be incentives to support a modal shift to rail freight, as mentioned above.

Despite its positive green credentials, rail typically competes with more carbon intensive modes such as road and air – both of which pay less of their external environmental costs. While levies on electrified rail services have more than trebled in the past decade, road fuel duty has remained constant since the 2011 budget and kerosene used to fuel planes is exempt from taxation. To remedy these perverse incentives, we believe that government should conduct a review of charges and taxation applied across transport modes, so that the cost of transport consumption better reflects the environmental impact.

Yours sincerely,

John Thomas

John Thomas
Director of Policy