



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

22 November 2017

The Rt Hon. Lord Adonis  
Chair  
National Infrastructure Commission  
11 Philpot Lane  
London  
EC3M 8UD

Dear Andrew,

### **NEW NATIONAL INFRASTRUCTURE COMMISSION STUDY**

I am writing to you to request that the National Infrastructure Commission undertake a study on the future of freight.

UK freight will face three critical challenges in the coming years. Congestion has become a pressing issue and there is a need to focus on how best to manage freight flows in urban areas in a way that encourages growth and productivity while also meeting the needs of residents and other road users. Lorries cause a third of the UK's transport CO2 emissions, so there is a challenge of decarbonising vehicles used for freight distribution to achieve the Government's targets on air quality and carbon emissions. The freight sector must also prepare to harness the potential of new technologies such as connected and autonomous vehicles (CAVs), platooning and big data.

Addressing these three challenges is vital for increasing economic growth, competitiveness and productivity. There is a need to ensure infrastructure provision responds to increased demand from economic growth, and shifts in consumer behaviour. I attach the terms of reference for the study, which reflect feedback from the Commission on this proposal.

The new freight study will run alongside your ongoing work towards the National Infrastructure Assessment. I welcomed the progress made in your interim report published last month. I also look forward to the publication of your study on how infrastructure can make best use of new technology.

Finally, I would like to emphasise the importance of the fiscal remit set out for the Commission. One of the Commission's key roles is to prioritise infrastructure investments within affordability constraints, and therefore you should ensure that any recommendations emerging from the specific studies are consistent with the fiscal remit.

A handwritten signature in black ink, appearing to read 'Philip Hammond', with a horizontal line underneath the name.

**PHILIP HAMMOND**

# FREIGHT STUDY

## Terms of Reference

### **Context**

1. Freight is the transportation of commercial goods by road, rail or other modes. Good freight connectivity is important for increasing economic growth, competitiveness and productivity, and enables exports via our ports and airports. Freight also has an impact on other infrastructure users, whether rail passengers or road users.
2. A reassessment of freight connectivity is needed to tackle rising congestion, especially in urban areas, impacted heavily by a recent increase in LGV traffic. This has been driven by major shifts in consumer behaviour, such as an increase in online shopping and demand for deliveries, as well as growth in other LGV traffic such as service vehicles.
3. With the revolution in road transport that new vehicle and digital technologies are going to bring, the increasing availability of data, and alternative business models in the passenger sector (e.g Lyft, Uber), the government needs to work alongside industry to consider what these changes mean for regulation and infrastructure. This is necessary to harness the productivity gains offered by these new technologies.
4. Decarbonisation of freight is also imperative to meeting the Government's targets on air quality and carbon emissions. Lorries cause a third of the UK's transport CO2 emissions and simple new technologies may have a significant impact in reducing the harmful pollutants of freight. An increase in availability of low emission road vehicles has increased the possibility of low emission HGVs in the future, so it is important to consider what infrastructure may be required, alongside other approaches to decarbonisation.

### **Scope**

5. The Government asks the Commission to:
  - a. Assess the impact freight has currently on urban congestion and the UK's carbon emissions, and the future of inter-city freight movements;
  - b. Consider the wider economic role of freight and how its economic benefits are factored into government infrastructure investments;
  - c. Make recommendations on the future of freight infrastructure and regulation to reduce the effects of congestion on productivity, particularly in urban areas, and ensure wider freight connectivity supports economic growth;

- d. Consider the potential of emerging technologies to improve the efficiency, productivity and environmental impact of UK freight;
  - e. Make recommendations on the future of our roads and highways to be able to adapt to new technology, e.g platooning;
  - f. Consider the wider economic role of freight and how its economic benefits are factored into government infrastructure investments;
  - g. Take into account the increase in non-fossil fuels for road vehicles, and consider options for decarbonising the freight sector including the infrastructure and regulation needed for low emission haulage.
6. The study should work alongside the NIC's assessment of the country's long-term infrastructure needs for its National Infrastructure Assessment (NIA).
  7. The study should focus on the effect of congestion on the efficiency of freight movements and emissions, the impact this has on the economy, and the opportunities, including those offered by innovation, to address these issues.
  8. Issues relating to border controls and customs, and issues relating to the UK's exit from the EU, are out of scope.
  9. In carrying out its study, the government asks the Commission to:
    - a. Consult widely with relevant experts, including the Department for Transport, Highways England, Network Rail, Department for Business, Energy and Industrial Strategy, Department for Environment, Food and Rural Affairs, the rail freight and the haulage industries, and key customers and distributors;
    - b. Work alongside Metro Mayors as they develop their city-region infrastructure assessments;
    - c. Consider how freight transportation will change in the next 10-20 years;
    - d. Ensure recommendations are consistent with the Commission's fiscal remit;
    - e. Ensure recommendations consider other users' needs for infrastructure;
    - f. Ensure recommendations work towards the government's air quality and carbon emission targets.

## Timing

10. The Commission should undertake a two-stage approach to the study:
  - a. An interim report to be published in Autumn 2018;
  - b. The final report to follow in Spring 2019.