

Review of the Balance of Competences between the United Kingdom and the European Union – Cohesion

Response from Rail Freight Group

January 2014

1. Rail Freight Group (RFG) is pleased to respond to the Department for Business Innovation and Skills (BIS) call for evidence on the balance of competencies between the United Kingdom and the European Union relating to transport.

RFG's Role

2. RFG is the representative body for rail freight in the UK. Our aim is to increase the volume of goods moved by rail to deliver economic and environmental benefits. We represent over 100 member companies who are active across the rail freight sector, including train operators, customers, ports, terminals, suppliers, and support services
3. Many RFG member companies will be affected by European action across their businesses. In this response, we are only looking at the impact of cohesion policies particularly on rail freight transport. We have not commented on Industrial policy. Other member companies may choose to respond separately to the consultation.
4. RFG's policy on European issues was recently confirmed by its Board as follows:
 - *To ensure that European rail policy serves the best interest of UK rail freight,*
 - *To improve the prospects for direct rail services between the UK and mainland Europe;*
 - *To ensure that European rail policy supports RFG Member companies who are seeking to grow their businesses in mainland Europe. (In this context, the general principle applies, as ever, that we will support single member issues only where there is no conflict with other members, and where the action is in line with agreed policy)*

Our consistent policy approach is to support the full implementation across all Member States of the European railway directives and, in considering amendments and new proposals, to maintain support for vertical separation, independent regulation and open access and competitive rail freight services.

General Comments - European Rail Policy and Rail Freight

5. At its highest level, the principles of European rail policy, as expressed in the First and subsequent railway packages, have driven fundamental and successful change for rail freight. The principles enshrined are for
 - An open and competitive market for rail freight operations;
 - Full separation of track and train;
 - Independent regulation;
 - Principles of charging which respect rail freight's position as a marginal user of infrastructure optimised for passengers.
6. The consequences of this approach are well documented, most recently in joint publication GB Rail Sector Liberalisation produced by Network Rail, ATOC, RFG and HS1 to support the discussions on the European fourth railway package. In the UK, not only has rail freight grown since privatisation, but it has transformed, with intermodal transport now around 1/3 of business, up from less than 20% twenty years ago. Liberalisation has also encouraged huge private sector investment, and encouraged sectors such as the retailers to consider using rail.
7. In the UK much of this policy was implemented at privatisation ahead of the first railway package. The First package in fact enshrined the UK structure in European law, delivering additional benefits to rail freight in the UK and to UK businesses operating in Europe. These benefits include;
 - Some policy areas have been strengthened – e.g. the provisions around track access charges for freight.
 - A common policy applied across Europe makes cross border freight traffic easier and simpler to achieve.
 - UK businesses operating across Europe can do so on a common basis with reduced barriers to entry.
 - European policy has added stability, making it more difficult for successive UK Governments to restructure the freight railway. This is absolutely essential if investment is to be encouraged and supported.

General Comments – Cohesion Policy and Funding

8. In respect of cohesion policy, and supporting funding, UK rail freight has benefitted through TEN-T investment in the rail network, channelled through Network Rail.
9. This has included;

- €12m for the Ipswich Chord, part of the Felixstowe to Nuneaton upgrade
- €5m towards gauge clearance from Southampton to West Coast Main Line
- €5m for Nuneaton North Chord.

10. Network Rail have also secured TEN-T funding for numerous other rail projects which are expected to deliver benefits for all rail users, including freight, over time.
11. TEN-T funding has also contributed to developing rail freight facilities at end terminals such as Port of Felixstowe and London Gateway.
12. Rail freight services have also benefitted from a range of investment programmes under the ERDF / Interreg etc. These have included;

PACT (Pilot Actions on Combined Transport)

- Mercer study for DfT on Irish landbridge traffic (<http://www.publications.parliament.uk/pa/cm199394/cmhansrd/1994-03-10/Writtens-1.html>) 1994
- Piggyback Consortium 1993/4
- Freight Intermodal Tracking in Europe (track and trace trials for intermodal units) 2002

Marco Polo

- EXCITE - European X-Channel Intermodal Enhancement (freight trains on HS1), 2007-2011, €1m
- FRESH - Fast Reliable European Sustainable Haulage (fresh produce from Spain to UK) - 2010 to date, €2.2m budget

European Regional Development Fund / INTERREG

- SMART - Southampton - Midlands gauge enhancement
- IMPACTE - Fratton rail terminal
- FINESSE - Dover rail freight reinstatement feasibility study
- Weastflows - development of multimodal distribution cluster at Northfleet
- Lopinod (Local Ports In Need of Development) - reinstatement of rail access to Ridham Dock (in hand)
- LaMiLo - urban rail services
- Low Carbon Freight Dividend (Haven Ports)

13. There is little doubt that the contribution of European funding through these measures has contributed to a growth of rail freight in the UK. For TEN-T schemes, the European funds provided on top of those from Central Government have enabled additional outputs to be secured for rail freight. Specific investment proposals have enabled schemes to proceed, either as trials or in full service, that would not otherwise have been possible. For example, the Marco Polo funding was key to the launch of freight services on HS1.
14. TEN-T funding in particular has also been important in ensuring that the UK rail freight network is developed to modern standards, supporting the development of

pan- European, interoperable freight routes. In coming years, this will also align with European rail freight corridors which are now being rolled out across Europe.

Specific Questions

How effective in your view have the structural funds been in addressing the tasks given to them under the various Treaties and what might be done to improve this?

To what extent have UK places, companies and workers benefited or not benefited from EU structural funds?

15. As outlined above, rail freight within the UK has benefitted from European funds over a number of years which has helped to deliver necessary improvements. This should also be seen in the context of overall rail reform and the opening up of the rail market to competition.

16. Development of the single market for rail freight is helped by investment and services particularly where this helps to tackle market failures, and meet the needs for investment in the rail network which may not otherwise be the priority for Infrastructure Managers. Further development, through TEN-T and rail freight corridors will also help develop pan European services by enhancing interoperability between Member States.

How effective in your view is accountability and financial management of the funds outlined in the paper?

What further steps if any might be taken to provide increased assurance for EU taxpayers?

What are the main barriers to accessing EU funds?

What might be done to overcome these?

What practical steps could be taken to reduce the administrative burdens in getting funding from EU programmes?

17. We are not sufficiently expert to comment on financial accountability. However, particularly for the investment funds, the administrative process and the various requirements are seen as a big disincentive to participation particularly amongst smaller companies. For example, the requirements around specified auditors, the lengthy delay in receiving payment, and the requirement in many cases for match funding and for pan European consortia can mean that participation levels are less amongst UK companies. There is clearly a balance between financial management and creating barriers to participation, which needs to be addressed.

Trans-European Networks

In your view to what extent have the TENs supported or promoted cohesion, interconnection and interoperability of national networks and access to networks across the EU? Has this been in the UK's national interest?

Are the types of activity covered by the TENs more appropriately funded at EU, national or regional/local level.

18. It is clearly in the national interest to have effective links to ports and airports, and to be part of effective trade routes at a national and international level. The recent Transport Committee report into access to ports highlighted this need, calling on UK Government to become a keener advocate of ports. Developing transport links to and from port locations, to enable effective onward travel is vital, as is ensuring that UK export businesses are able to access the transport links in other Member States which they need to move their goods to final destination.
19. We consider that TEN-T has a part to play in delivering this, along with domestic investment, both Government and private sector. We consider that participation in such a framework is distinctly in the UK's national interest.