

Report of the Wales Freight Working Group

1. This is the report of the Wales Freight Working Group (the Group) to the Minister for Economy, Science and Transport (the Minister) on recommendations for further action to support freight transport in Wales.

Background to the Group

2. The Group was convened following publication of the Wales Freight Task and Finish Group's report¹. Initially the remit of the group was to advise the Minister on key issues affecting the future of freight traffic in Wales, with a particular focus on inter-modal hinterland connections to ports and the balance between passenger and freight needs. The remit was later expanded to give advice on proposals from the UK Government's Rail Freight Strategy from Welsh Freight perspective.
3. The Group was chaired by Brian Curtis and comprised core freight and industry experts in relation to Wales. The terms of reference for the group are included within this report at Annex A. Further details on the membership can be found at Annex B.
4. Our recommendations are:

RECOMMENDATIONS

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| <p>1. Welsh Government to commission an up to date, integrated analysis of opportunities and challenges for growing intermodal freight networks and out of town hubs in Wales, taking as long-term a view as evidence supports.</p> |
| <p>2. Welsh Government should consider the need for appropriate loading gauge capability along the entire south Wales main line to efficiently accommodate intermodal container traffic. Welsh Government should continue to lobby the UK Government to ensure the appropriate works are undertaken during electrification of the Great Western main line.</p> |
| <p>3. Welsh Government should continue to explore development of a business case for a third Menai crossing in relation to freight, including identifying the current constraints and reflecting sufficient capacity to meet projected growth.</p> |
| <p>4. The Freight Working Group should continue to advise Welsh Government on proposals under development within the UK Freight Strategy, and the Welsh Government should give consideration towards developing a strategy for Wales.</p> |

Background to Freight in Wales

5. The transportation of freight is a key element of modern economies, and providing a reliable, capable and sustainable transport network is crucial towards supporting economic growth and development. The majority of the transport network in the UK is funded and provided for by the public sector, but freight is primarily a private sector industry, with many businesses moving goods for other businesses. The industry is,

¹ <http://gov.wales/topics/transport/freight/wales-freight-group/?lang=en>

however, reliant on a government policy and strategy which supports and enables commercial delivery.

6. In Wales, a number of policies and documents have been developed to support the freight industry. In their Programme for Government², the priorities of the Welsh Government are set for 2011-2016, which includes the clear aim to strengthen the conditions which enable businesses to create jobs and sustain economic growth.
7. A number of key documents support this ambition, including the Wales Freight Strategy³, the Wales Transport Strategy⁴ and the National Transport Finance Plan⁵. Additionally, the Freight Task and Finish group's report, which was published in 2014, sets out key recommendations for the Welsh Government to better support the freight industry in growing local economies.
8. Additionally, the Welsh Government's economic development strategy aims to enable businesses in each key sector to grow and create the jobs needed for the future economic development. This includes the role of City Regions in the future economic development and prosperity of Wales, as well as proposals for the Metro integrated transport concept in South Wales.
9. However, the global economic crisis has continued to have significant impacts on the volumes of freight goods being transported. Austerity has continued, with ongoing pressures on public sector budgets projected for the foreseeable future.
10. Additional external factors, such as the Calais migrant crisis and EU market conditions leading to reductions in UK steel manufacturing operations, have had a profound impact on the freight industry, both in terms of Wales and the Wider UK. These issues have been compounded by a market shift from the transport of bulk coal and steel towards aggregates (mainly building materials) and intermodal container traffic.

Trans-European Networks - Transport

11. Trans-European Networks - Transport (TEN-T)⁶ is an EU initiative designed to promote cohesion, interconnection and interoperability of the transport network across the EU, including roads, railways, airports, ports and inland waterways. TEN-T regulations define the routes and the standards which must be met. These initiatives are supported by the companion "Connecting Europe Facility", which sets out mechanisms for financing TEN-T proposals.
12. Under the current arrangements, there are two levels of TEN-T– the 'Comprehensive Network' and the 'Core Network'. The core network represents the backbone for transportation within the EU Single Market, and is considered the strategic priority. The comprehensive network feeds into the core. All TEN-T routes are part of the comprehensive network but some are also part of the core network.

² <http://wales.gov.uk/about/programmeforgov/?lang=en>

³ <http://wales.gov.uk/topics/transport/freight/wfs/?lang=en>

⁴ <http://wales.gov.uk/topics/transport/publications/transportstrategy/?lang=en>

⁵ <http://gov.wales/topics/transport/planning-strategies/ntp/?lang=en>

⁶ http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/index_en.htm

13. The core routes and ports in Wales include the south Wales mainline to Cardiff (for passenger rail) and to the Milford Haven Branch Line (for rail freight), Crewe to Holyhead for passenger rail as well as Cardiff/Newport as 'cluster' port, and the port at Milford Haven. For roads, the core network includes the entirety of the M4, plus:

- A48(T): Pont Abraham to Carmarthen
- A40(T) and A477(T): Carmarthen to Milford Haven
- A55(T): Ewloe to Holyhead end of A55
- A494(T): Ewloe to Deeside Park
- A550(T): Deeside Park to English Border

Freight Trends and Forecasts

14. The trends and forecasts reported by the Freight Task and Finish Group remain largely unchanged. Network Rail's Freight Market Study⁷ is a key industry document, setting out changes in freight demand over recent years, and forecasts how the market might change over the next 30 years.

15. Key findings from the Market Study include

- The growth of containerised freight carrying consumer goods as the principle commodity, as a result of the declining GB manufacturing industries, and the increase in importing goods through major ports.
- Continued growth in rail freight to transport containers to consolidation and distribution centres in the UK
- Continued growth in road freight to distribute freight to and from centres for the final stage of the journey, especially light goods vehicles for the 'last leg'
- An overall forecast in freight growth of 2.9 per cent by total tonne km to 2043, which is reflective of a projected decline in coal markets but a rise in almost all other markets, including other bulk, aggregates, renewables and intermodal containers.

Findings and Recommendations

16. We have identified a number of specific priorities for the Welsh Government to consider, which can be summarised as:

- Commissioning of an up to date, integrated analysis of opportunities and challenges for growing intermodal freight networks and out of town hubs in Wales, taking a long-term view as the evidence supports
- The need for loading gauge capability along the south Wales main line to efficiently accommodate intermodal container traffic
- Further consideration of the business case for a third Menai crossing
- A continued role for the Freight Working Group in providing Wales-specific industry advice to the Welsh Government in respect of the UK Rail Freight Strategy

Intermodal Freight Hubs

⁷ <https://www.networkrail.co.uk/improvements/planning-policies-and-plans/long-term-planning-process/market-studies/>

17. Evidence suggests that the largest growth commodity in terms of the freight market will be through intermodal containers. This market is largely dominated by the supermarket industry and includes goods such as perishable foods, white goods (such as electrical appliances) and clothing.
18. In enabling better access to this rapidly growing market, consideration should be given towards the most effective method of transport. In respect of goods moved on land, there are many benefits in using rail transport over road⁸,
- The average freight train can remove up to 60 long distance HGVs from roads, easing congestion.
 - Rail on average produces 70% less carbon dioxide emissions than HGVs for the equivalent journey.
 - Rail is considered much safer than HGVs which are involved in over half fatal collisions even though they only make up 11 per cent of traffic on motorways.
19. However, rail infrastructure is not always in the optimal place, and the network must be shared between freight and passenger operators, which can restrict delivery times and flexibility. Additionally, network disruptions have a major impact on the ability to transfer goods from A to B, and track access charges for freight operators typically make it cost prohibitive to run freight in small volumes on rail. These combined factors lead most businesses towards building their logistics chains on road freight transport.
20. In recognition of the advantages and disadvantages offered by different transport modes, we recommend the Welsh Government investigate opportunities towards developing a fully integrated and inter-connected freight transport system. We envisage such a system would be able to capitalise on the benefits each mode can provide, such as the cost effectiveness, sustainability and speed of moving large quantities by sea and rail transport, and the flexibility and adaptability of transporting goods by road.
21. This could be achieved through the development of intermodal freight hubs which sit outside town centres, and promote the use of sea and rail to transport goods over long distances, with the added capability to transfer to LGVs to fulfil 'last leg' of the freight journey. Using LGVs over HGVs would result in fewer operational and resource costs, and a smaller impact on congestion in local areas.
22. However, it must be stressed that the freight industry is guided by a principle of reacting to market demand, which is counter to passenger transport principle of proactive planning and investment to meet forecasted growth. Therefore the most impactful and valuable strategic locations for hubs should be targeted towards the highest concentration of existing industry likely to benefit.
23. On this basis, our recommendation is for the Welsh Government to commission an up to date integrated analysis of opportunities and challenges for growing intermodal freight networks and out of town hubs in Wales, taking as long-term a view as the evidence supports.

Loading Gauge Capability

⁸ [Value of Freight – Network Rail](#)

24. Loading Gauge is defined as height and width profile of a railway vehicle including its load, and its ability to safely pass clear of structures on the network – primarily bridges and tunnels. The gauge capability of the network reflects historical demand for train types, and varies by route.
25. Network Rail has codified their loading gauge profiles for freight vehicles, which is identified by a 'W' prefix and a number. The minimal gauge profile to transport intermodal freight containers on standard wagons is considered to be W10, though W12 is considered the optimal gauge for future proofing the network.
26. Although freight containers can be transported throughout most of the UK network on lowered wagons, this is considered cost prohibitive, as fewer containers in total can be transported at one time. Additionally, the lowered wagons typically result in greater wear on the rail track, resulting in increased track access charges paid to Network Rail for freight operators using these vehicles.
27. Ensuring the network in Wales receives gauge clearance to the W12 standard as a is crucial towards both supporting effective access to the intermodal container market and ensuring it able to access future markets However, as with intermodal hubs, we recognise the need to prioritise funding and target areas where the biggest impact can be felt.
28. We also recognise that Welsh Government does not have devolution of funding and control of Network Rail's regulated outputs, as is the case in Scotland. It will therefore be the UK Government who has final determination on large-scale infrastructure projects.
29. There is, however, a unique opportunity to save on the costs of gauge enhancement works. Electrification of the Great Western main line is ongoing, and enhancing the loading gauge to the W12 whilst conducting these works will result in significant reductions in overall cost when compared to the alternative. We were encouraged by the Minister's successful lobbying of Network Rail and the Department for Transport to re-scope works to clear the Severn Tunnel to the W12 standard.
30. We recommend the Welsh Government considers the need for loading gauge capability along the south Wales main line to efficiently accommodate intermodal container traffic, and continues to lobby the UK Government to ensure the appropriate works are undertaken during electrification of the Great Western main line.

Third Menai Crossing

31. As the main road expressway running through North Wales to Holyhead port, ensuring the A55 has capacity and capability to handle good movements effectively is significant towards supporting the economic growth of the region. There are notable risks and constraints along the road, and it is the view of the group that investment in infrastructure improvements will be needed to better support the economic prospects of north Wales.

32. One of the key constraints to be addressed are the crossings which connect Anglesey to the rest of north Wales. Data from 2014 shows that more than 350,000 HGVs passed through the Holyhead Port while travelling to and from Ireland, and significant bottle necks at the crossings have resulted in congestion and disruption.
33. Resilience is another key issue, as any closures or maintenance works on the Britannia bridge result in congestion. During these events, the diversion route is over the Menai Bridge, which is unsuitable for HGVs. Furthermore, weather-related disruption has a disproportionate effect on goods moved to and from the port, as Britannia Bridge is frequently closed to high-sided vehicles during strong winds.
34. The group recommends the Welsh Government continues to explore the development of a business case for a third Menai crossing. The business case should reflect the requirements of freight, including current constraints and ensuring sufficient capacity to meet projected growth.

UK Rail Freight Strategy

35. In late 2015 the Department for Transport convened a Rail Freight Strategy Advisory Group, the purpose of which was to advise and inform Claire Perry, Parliamentary Under-Secretary of State for Transport, on the development of a new rail freight strategy.
36. The work of the group is split into 6 work streams, to be focussed on
- Future Market Analysis
 - Emissions reduction and modal shift
 - Telling the story of rail freight
 - Access to Network
 - Charging and Support Regime
 - Working across Government
37. The group's membership is comprised of representatives from Department for Transport, Welsh Government, Rail Freight Group, AB ports. FTA, GB Railfreight, DB Schenker, Blue Yonder, ORR and Transport Scotland
38. There is potential for the strategy to positively impact the freight industry within the UK, particularly in relation to encouraging modal shift from road to rail, and providing freight operators with access to the network. On this basis we recommend the Welsh Government continues to engage and seek advice on proposals for the UK freight strategy through the freight working group. Additionally, the Welsh Government should give further consideration towards developing a strategy for freight in Wales.

Annex A - Wales Freight Working Group - Terms of Reference

1. The Freight Working Group (the group) will advise the Minister for Economy, Science and Transport on key issues affecting the future of freight traffic in Wales, focusing on inter-modal hinterland connections to ports and the balance between passenger and freight needs.
2. Building on and providing continuity with the work of the Wales Freight Task & Finish Group which reported in 2014, the group's advice will focus on appropriate interventions needed to support the development of Enterprise Zones and industry and business centres more widely.
3. The group will, if required, advise on any potential applications under the 2015/16 funding call for the Connecting Europe Facility (CEF) which supports delivery of the Trans-European Transport Network (TEN-T) and, if required, advise on other specific transport developments from a freight perspective.
4. The group will not be a lobbying forum.

Chair

5. Brian Curtis has been invited to chair the group. A deputy will be selected by the members of the group at the first meeting.

Members

6. Membership will comprise of a small number of core freight experts and key industry representatives.
7. Representatives from other relevant organisations and individuals may be invited to present and/or submit evidence on an ad hoc basis.

Operation

1. it is expected that the group will need to meet three times in order to report finally to the Minister
2. The Chair is responsible for agreeing meeting agendas and papers with the secretariat.
3. The Welsh Government will provide secretariat functions for the meetings, issuing invites and drafting notes, and will provide meeting venues in one of its offices as far as possible.
4. Communications between meetings will be via email.

Annex B - Wales Freight Working Group - Membership

1. The group was comprised of members from the following organisations:

- Brian Curtis (Chair), member of the EU's Economic and Social Committee serving on the Section for Transport, Energy, Infrastructure and the Commission on Industrial Change. Former President of Wales TUC.
- Freight Transport Association
- StenaLine
- AB Ports
- DB Schenker
- Freightliner
- Aslef
- Network Rail
- Irish Ferries
- Welsh Government (Secretariat)