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26th March 2014

RAIL ACCESS TO THE PROPOSED STRATEGIC RAIL FREIGHT INTERCHANGE AT RADLETT

Dear Paul

Thank you for your letter dated 21st March regarding Rail Access to the Proposed Strategic Rail Freight Interchange (SRFI) at Radlett, and seeking our view on the extent to which the developments cited by Wayne Leighton solicitors are material changes in circumstance likely to have a significant impact on the feasibility of a potential SRFI at Radlett. I address the three issues you raise in your letter, namely:

1. Our capability assessment of the Radlett Proposal, and in particular the implication of a junction speed requirement of 45 mph.
2. Completion by Network Rail of the Sundon Loop.
3. The potential for London Gateway to remove the likelihood of five trains a day from Felixstowe and Southampton to the proposed Radlett SRFI.

1. Connection to the network

We have modelled train departures and arrivals as part of our feasibility work. This has identified that the connections to and from the Radlett terminal should be designed to be capable of 45 mph operation. There is no reason why this cannot be achieved and the higher speed represents modern good practice – over time connections around the network have been designed generally to cater for higher speeds. This is a matter of detail and not material in any way.

2. Position vis-à-vis Sundon

We have worked with the developer of Sundon to assist them in meeting their aspirations as we have with the developer of Radlett. Sundon is a significantly smaller site than Radlett – perhaps sufficient to accommodate a single major retailer’s Regional Distribution Centre. As such we do not believe that the two proposals fulfil the same purpose or act as alternatives to each other.

The completion of Sundon loop has no bearing upon Radlett SRFI.

3. Position vis-à-vis London and South East ports

Network Rail’s Freight Market Study (FMS)¹ which was established in October 2013 identifies very strong growth in demand for rail freight over 30 years. This growth is predominantly in intermodal traffic much of which will serve SRFIs. It has two main constituents:

- Primary distribution – mainly imported goods from ports and / or the Channel Tunnel.
- Secondary distribution – from major logistics units on SRFI sites onwards into the retail supply chain.

It follows that successful developments at Radlett and London Gateway will attract wholly independent primary distribution traffic into their sites.

The two sites are positioned on different rail routes. Whilst there may be some level of interaction between their secondary distribution markets, each site has its own advantages in terms of serving different destinations via the adjacent rail and road networks. If you draw an analogy with road transport it is unlikely that a location by the M1 would significantly overlap the market of a location by the A13.

There is sufficient demand growth charted in the FMS for intermodal rail freight to generate the train numbers aspired to by Radlett, London Gateway and the other proposed SRFIs around London – these are not alternative developments. Nor does London Gateway diminish the “special circumstances” applicable in planning terms to Radlett (or any other location) – there is a dearth of viable SRFI developments around London. SRFIs are needed to encourage modal shift from road to rail, which can help the UK to reduce carbon emissions and promote sustainable economic development.

Whilst Radlett is relatively close to the London and South East deep-sea container ports it is well situated to serve the secondary distribution and Channel Tunnel markets. The FMS identifies that rail freight will become more competitive against road haulage over the long term due to the latter suffering from inflation in wage and fuel costs relative to rail. This opens up the prospect of rail capturing business over shorter distances. There is already one intermodal rail traffic flow in the UK that is viable over a short distance (i.e. < 50 miles) due to the particular difficulties experienced by road competition (Grangemouth to Elderslie).

¹ <http://www.networkrail.co.uk/publications/market-studies/freight-market-study-2013.pdf?cd=2>.

In addition, we understand that freight operators are considering whether a terminal in Radlett's position could be rail served with two trains (round trips) per day to and from a South East port using a single set of wagons. A double trip would transform the economics of intermodal rail freight, which has hitherto tended only to feature one round trip per day from a set of wagons.

The opening of London Gateway and distance to Radlett from South East ports do not constitute barriers to it developing rail traffic in line with the promoter's aspirations.

I hope this information is useful. Please do not hesitate to contact me if you would like to discuss things further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. McMahon', written in a cursive style.

Paul McMahon
Director, Freight