FreightBestPractice

Frieght Facilities Grants- A Concrete Solution

Case Study

Company: London Concrete Ltd

Department for Transport

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Introduction

The cost of the infrastructure required to move freight on to rail or water can sometimes prevent a business from even looking at the possible financial and environmental benefits. The Government recognises this barrier and offers the Freight Facilities Grant (FFG) which provides cash incentives for new rail or water based handling facilities to any business within Great Britain provided:

- It results in freight being taken off the roads and moved by rail or water instead
- The company commits to providing Environmental Benefits throughout the period of the grant

The amount of money awarded in a grant varies since it is based on the "value" of the removed lorry journeys (often referred to as the Environmental Benefits) and a company's financial need for grant (called the financial appraisal).

This case study looks at the experiences of London Concrete, a world leader in the supply of construction materials, who has demonstrated a successful modal switch of freight from road to rail – a switch achieved with the assistance of a Freight Facilities Grant funded by the Department for Transport.

Background

London Concrete was formed in 1997 and currently employs over 140 staff at its head office and at a number of concrete plants around London. It produces ready-mixed concrete which is typically delivered on a 'just-in-time' basis using a fleet of mixer trucks.

After a period of recent expansion, the company now operates 10 concrete plants across the UK, nine of which are based on railheads to enable raw materials to be supplied direct by rail. During 2007, these nine plants processed almost 1.8M tonnes of rail-fed material.

A Freight Facilities Grant of £1.3M was awarded to London Concrete in February 2009 for the development of a £5M rail offloading and storage facility at Ferme Park in North London. The facility is expected to handle almost 1.3M tonnes of sand and gravel over the next 10 years.

Why London Concrete Applied for a Freight Facilities Grant

London Concrete makes every effort to reduce its contribution to road congestion and its carbon footprint by moving material by rail whenever it is economically viable to do so.

The Ferme Park site was a good location at which to construct rail sidings and allow sand and gravel to be brought in by train, rather than road. Most of the raw materials are transported from Somerset and Dorset so providing new rail facilities will allow a reduction in the number of lorry journeys across the south of England.

Based on estimated production figures at the site, the use of rail will remove over 18 million road kms over the initial 10-year period.

The cost of transporting materials by rail is also cheaper per tonne, as the following table shows:

Table 1 Cost of Transporting Materials by Rail versus Road

Raw Material	Source	Cost by Rail	Cost by Road	Saving per Tonne
Stone	Somerset	£4.65 per tonne	£5.55 per tonne	£0.90
Sand	Dorset	£6.45 per tonne	£7.13 per tonne	£0.68

Costs were accurate at the time the application was made

London Concrete's proposal was to set up a new

ready-mixed concrete plant with associated rail handling facilities on the Ferme Park site. Over £1.3M is also being invested in a new batching plant, though this does not form part of the FFG application. The application for the FFG applies only to the rail unloading and storage facilities.

Due to the longer lead time for rail shipments and the larger size of delivery required to make rail viable, larger storage facilities were required. The storing of a reasonable quantity of materials on site provides the company with flexibility to respond at short notices to changes in customer requirements.

London Concrete's Application

London Concrete had been successful in receiving a Freight Facility Grant in 2006 for a rail offloading facility at its Watford depot, so the firm already had a good understanding of the application process. It should be noted that companies are not limited to making one grant application; every eligible site is evaluated on its own merits.

At the outset London Concrete prepared an internal project plan. This assessed the overall project with particular reference to traffic movements, environmental impacts, project costs, market assessment and financial performance.

The company then had a short face to face meeting with representatives of the DfT to discuss the scheme and present the potential Environmental Benefits. Calculating these Environmental Benefits involved looking at the total market size of the ready-mixed concrete

market in the local area, finding out how its competitors obtained raw materials and their source and feeding this information into the Environmental Benefits Calculator on the Department for Transport's website.

London Concrete based its financial appraisal on the difference between the total costs of moving sand and gravel by rail and the costs of continuing to bring in materials by road.

Following submission of its application, DfT and its appointed consultant visited the site to check the firm's calculations and confirm that the rail sidings would be viable and cost-effective. This stage of the application is often complex and involves a detailed examination of the engineering aspect of the scheme by DfT's consultant.

As with all FFG awards London Concrete committed to providing all of the Environmental Benefits envisaged in the application as well as to keep the DfT informed of any changes in the operation. In this particular case the grant was awarded with two further conditions:

- Costs associated with the removal of contaminated waste from the site were to be ring fenced
- All grant assisted works will be completed by the end of March 2011

The grant money is claimed on presentation of receipts as the project progresses, based upon audited construction costs. To support such claims, London Concrete provides evidence that each stage of the work has been carried out and that contractors have been paid. The firm is voluntarily using the services of an independent auditor to check its claims, ensure compliance and correct any errors before details are presented to the DfT.

On completion London Concrete will report on the volumes moved annually. This reporting procedure is an important part of the grant award and ensures the Environmental Benefits set out in the application are delivered.

How the Grant Will Be Spent

The grant will be spent on creating a facility capable of receiving, unloading and then storing raw materials delivered by rail. The following elements are specific to the Ferme Park grant application and are currently under construction:

Rail unloading facility comprising bottom discharge unloading system (enclosed for environmental reasons)

- Conveyor systems
- 4,000 tonne capacity overhead storage bins
- Associated infrastructure

Grants are available for up to 50% of eligible capital costs of a scheme. The amount offered however will be limited to the lower of:

- The value of the Environmental Benefits. These are the "value" of the removed lorry journeys which will not occur under the rail/ water option. In calculating the grant a minimum benefit to cost ratio of 1.5:1 must be achieved (ie Environmental Benefit: cost of project)
- The need for the grant as demonstrated through a financial appraisal taking into account capital and operating costs and comparing the cost of moving the goods by rail/ water as opposed to road

For example if the capital cost of a proposed new facility is £1.2M the applicant would only be eligible for the maximum grant of £600,000 if they had provided Environmental Benefits "worth" £900,000.

In the case of London Concrete's Ferme Park application the Environmental Benefits limited the grant to £1.3M as their value was lower than both the financial appraisal and 50% of the capital costs.

Conclusion

As a result of London Concrete's decision to switch from road to rail for the supply of the Ferme park site, the next ten years will see:

- Almost 1.3M additional tonnes of sand and stone carried by rail
- Over 18 million lorry kms taken off the roads, reducing congestion, noise and pollution: and
- Around 12,000 tonnes of the greenhouse gas carbon dioxide (CO_2) will not be released into the atmosphere

The award of the FFG has been instrumental in putting London Concrete's plans for Ferme Park into action and in turn will provide substantial Environmental Benefits.

The grant will help London Concrete improve its business by providing alternatives in its supply chain and allowing for bulk storage of sand and gravel on site. Without the grant, it would not have been economic for the firm to construct the rail and storage facilities and so the Environmental Benefits would not have been possible.

As this case study shows grants can be obtained for new facilities even if the operating cost of rail is cheaper than road. The reason for this is that the grant goes towards fixed assets which enable operational benefits and savings to be accrued.

Further Information

The Freight Best Practice Guide Freight Facilities Grants… What Can I Get? provides concise information about how much funding is available, what it can be used for, examples of companies who have benefited and information on how to apply and can be downloaded **FREE** from the Freight Best Practice website at **www.businesslink.gov.uk/freightbestpractice** or ordered from the Freight Best Practice hotline on **0300 123 1250**

The Freight Best Practice Guide Choosing and Developing a Multi-modal Transport Solution provides an overview of the water and rail freight sectors and explains how companies can approach and develop strategies to assess the feasibility of modal shift, the grants that are available and how to implement modal shift effectively.

It features over 30 case studies reflecting different aspects of the process and can be downloaded **FREE** from the website **www.businesslink.gov.uk/freightbestpractice** or ordered from the Freight Best Practice hotline on **0300 123 1250.**

For details of Freight Facility Grants and rail and water freight grants please consult the following websites:

- England: Department for Transport
  www.dft.gov.uk/pgr/freight
- Scotland: Scottish Government
  www.scotland.gov.uk/Topics/Transport/FT/freightgrants1
- Wales: Welsh Assembly
  www.new.wales.gov.uk/topics/transport/freight

European Freight

The European Commission can provide funding for rail and water freight if the goods flow being developed is cross-border. Marco Polo is the European Union's funding programme for projects which shift freight transport from the road to sea, rail and inland waterways. To obtain information about the current Marco Polo process, visit the website at: **ec.europa.eu/transport/marcopolo/home/home_en.htm**

Grants Available

Operating Costs

Mode Shift Revenue Support (MSRS) will replace the current REPS scheme from April 2010. The MSRS scheme will provide financial aid towards operating costs in line with the environmental benefits of using rail or water. For further information contact the Department for Transport in England or the Devolved Administrations in Scotland and Wales. The DfT is currently taking applications for the scheme.

Capital Costs

Freight Facilities Grants (FFGs) help offset the capital cost of providing rail and water freight handling facilities and equipment. For further information contact the Department for Transport in England or the Devolved Administrations in Scotland and Wales.

See the **Freight Best Practice Transport Operators' Pack (TOP), Fuel Saving Tips** and **Safe Driving Tips**

Freight Best Practice publications, including those listed below, can be obtained FREE of charge by calling the **Hotline** on **0300 123 1250** or by downloading them from the website **www.businesslink.gov.uk/freightbestpractice**

Saving FUEL

Fuel Management Guide

This is the definitive guide to improving the fuel performance of your fleet. It gives step-by-step explanations of the key elements of fuel management, how to measure performance and how to implement an effective improvement programme.

Performance MANAGEMENT

Fleet Performance Management Tool Incorporating CO_2 Emissions Calculator 2009 Edition

This tool has been designed to help fleet operators improve their operational efficiency using key performance indicators (KPIs) to measure and manage performance. KPIs include costs, operational, service, compliance, maintenance and environmental.

Developing - SKILLS

Saving Fuel Through People

This guide provides advice and real life examples to help operators motivate their staff effectively and shows how to implement and manage change more successfully.

Multi - Modal

Choosing and Developing a Multi-modal Transport Solution

This guide provides a useful insight into the rail and water freight industries, explains the process for making an informed choice about modal shift, and also explains the availability of financial assistance such as grant funding.

Equipment & SYSTEMS

Truck Specification for Best Operational Efficiency

A step-by-step guide to the process of correctly specifying an efficient and 'fit for purpose' vehicle.

Case STUDIES

There are over 25 case studies showing how companies have implemented best practice and the savings achieved. Check out the following selection of case studies:

- Short Haul Rail Freight on Track for Profits in Scotland
- Tesco Sets the Pace on Low Carbon and Efficiency
- Switch for Sustainability

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