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I attach a document published by DP World who run Southampton Western Docks outlining their scheme designed to encourage modal shift of freight from road to rail. They concentrate on middle distance freight and specify the originating points. They believe that freight travelling longer distances is already more likely to travel by rail because it costs the exporter less to send their goods by rail than by road. They are motivated by the desire to reduce Greenhouse gas pollution emissions.

Phil Gagg



Wednesday 31st May 2023

**CUSTOMER ADVISORY:
Introducing a Modal Shift Programme (MSP) Trial
at DP World Southampton**

DP World is introducing a Modal Shift Programme (MSP) at Southampton as a trial to increase the financial attractiveness of rail for import laden containers. A financial incentive for imports routed by rail will be paid for by a relatively small charge on all import laden containers coming through DP World Southampton.

Accelerating the decarbonisation journey for supply chains serving the UK economy

DP World in the UK is at the heart of Britain's trading future. We enable our customers' international supply chains to serve the UK economy through safe and efficient sea, road and rail connections. We aim to think ahead and anticipate change so that our customers have choices to optimise trade solutions.

The transport and logistics sector alone creates around a quarter of global CO₂ emissions. DP World is taking steps to increase the attractiveness of rail options for supply chain partners moving their cargo inland. This will help to reduce CO₂ emissions and support UK businesses to meet their net zero targets.

This customer advisory provides information about the introduction of a Modal Shift Programme (MSP) at DP World Southampton from 1st September 2023 for a one year trial period until 31 August 2024.

Modal Choice

In the UK there are a choice of inland container transport modes with many destinations served by rail/road combination in addition to road only movements.

A typical import container from Southampton to Birmingham could save as much as 250kg CO₂e by being routed by rail/road, rather than road alone.

Over the last 20 years, the rail share of shipments via Southampton has reduced to around 25%. There is sufficient rail capacity to see uptake increase to over 40%, potentially saving over 30,000 tonnes of CO₂e annually from UK supply chains and removing over 7 million truck miles.

The Modal Shift Programme that DP World is trialling aims to encourage supply chain partners to actively choose rail for their supply chain shipments, therefore helping cargo owners and UK industry reduce carbon emissions and achieve net zero aspirations.



Modal Shift Programme (MSP) Trial at DP World Southampton

From 1st September 2023, the MSP trial structure will be:

- A MSP Fee will be applied to all import laden containers.
- A MSP Incentive will be credited automatically for any import laden container which leaves DP World Southampton by rail to a railhead within the MSP Incentive Zone (as further detailed below)
- Any import laden container which leaves DP World Southampton by rail to a railhead outside the MSP Incentive Zone will be refunded the MSP Fee.
- The MSP Fee will be levied to the import clearing agent who makes the customs declaration.

The MSP Fee and MSP Incentive will operate as follows:

- The MSP Fee will be £10 per import laden container.
- The MSP Incentive will initially be £70 per applicable container, for the period between 1st September 2023 and 31st December 2023.
- The MSP Incentive will be adjusted every quarter from 1st January 2024 to allow for changes in the rail share of import laden containers.
- The import clearing agent will be credited £0.50 per MSP Fee paid to cover the administrative costs associated with the transaction.

Intermodal railheads within DP World Southampton MSP Incentive Zone include:



- Avonmouth;
- Birmingham Hams Hall;
- Birmingham (BIFT) Birch Coppice;
- Birmingham Landor Street;
- East Midlands Gateway;
- Bristol;
- Cardiff;
- Daventry;
- Northampton;
- DP World London Gateway;
- Portbury.

The MSP Incentive zone is approx. 140 miles as the crow flies



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dpworld.com/southampton

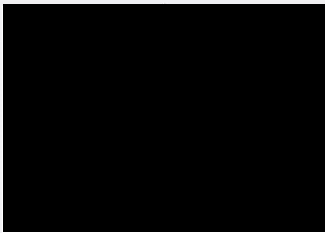
Further information

DP World commits to providing visibility on the progress of rail uptake as a result of the MSP trial.

Further information is included in the attached Frequently Asked Questions.

Should you have a specific question please email modalshift.uk@dpworld.com

Yours faithfully,



John Trenchard
Commercial & Supply Chain Director, DP World UK

Enc. Frequently Asked Questions

Frequently Asked Questions

What is the Modal Shift Programme (MSP)?

The Modal Shift Programme (MSP) is a 12 month trial commencing 1st September 2023 to increase the financial attractiveness of rail for laden import containers at DP World Southampton. A financial incentive for imports routed by rail will be paid for by a relatively small charge on all import laden containers coming through DP World Southampton.

Why are you trialling a Modal Shift Programme at DP World Southampton?

DP World Southampton can help connect transport modes and provide customers with choice on inland shipment routing.

We have taken steps to trial a programme to increase the attractiveness of rail for supply chain partners as an option for moving their cargo inland and thereby grow the share of cargo moved by rail. The programme will help cargo owners and UK industry meet net zero carbon reduction aspirations.

What are the environmental benefits and savings?

A typical import container from Southampton to Birmingham could save as much as 250 kgs of CO₂ routed by rail/road, rather than road alone.

If we can increase the share of rail from 25% to 40% of shipments at DP World Southampton, this has the potential to reduce over 7 million HGV road miles, ease congestion on our road network and remove approximately 30,000 tonnes of CO₂ each and every year from supply chains serving the UK economy.

How will the MSP benefit cargo owners and supply chain partners?

The MSP will provide a financial incentive for using rail to move cargo with the MSP Incentive Zone (within a radius of approximately 140 miles from Southampton). If rail can be made a more attractive choice for cargo owners and supply chain partners, then increased demand for rail/road import nominations will mean that UK businesses and consumers benefit from imported goods with a lower carbon footprint, and another step towards net zero.

The lower carbon routing can also be reported against companies' scope 3 emissions for carbon reduction.



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What change do you expect to see?

Customers who already utilise rail within the MSP Incentive Zone will immediately benefit. The intent is that routing nominators, who do not maximise rail/road routings, can use the MSP Incentive to drive more import container volume towards intermodal rail.

Will I have to pay £10 MSP fee even if I can't rail my container?

Yes. We recognise that not every destination will be able to be serviced by rail even after the MSP has been introduced. We are keeping the MSP Fee relatively low to limit the impact for cargo which cannot utilise rail, while still being able to offer a sufficiently large incentive to influence the flows where rail is an option.

Customers who have cargo flows which have previously been un-economic to rail can increase the proportion of rail across their UK import requirements through the apportionment of the MSP Incentive. The intent is for the MSP Incentive to bridge the gap to nominate rail for import container transport and eventually grow the amount of destinations which are able to be serviced by rail. Growing the share of rail brings economic and climate benefits to the British economy.

My road vehicles comply to the latest emission standards, why am I being penalised?

Road transport is very competitive and has over time increased the share of road moves from the port, which unfortunately has also increased the emissions per container moved. By introducing the MSP we want to encourage supply chain partners to choose rail for their import containers, increase the share of rail moves and reduce the amount of emissions per container moved.

Separately, we are also evaluating the possibility of introducing an incentive to reward the use of electric HGV's at DP World Southampton. This will be implemented in due course.

Why is the MSP Incentive Zone limited to approx. 140 miles from Southampton port?

The market economics for intermodal rail beyond the MSP Incentive Zone already makes financial sense because rail generally is more economic for such distances. For import container deliveries within the MSP Incentive Zone, there is often not a clear economic difference between road and rail/road for deliveries. By applying the MSP Incentive to within the MSP Incentive Zone we aim to amplify the likelihood of modal shift to rail.

Are there restrictions on the use of the MSP Incentive?

No. The intent is that import routing nominators, either importers, forwarders or the import customs agents themselves will use the MSP Incentive to increase rail nominations. Essentially by using it to bridge any economic gap between road and



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rail/road (for example rail costs, intermodal administration or final mile delivery costs, etc). The incentive will only apply for containers which have been physically moved by rail.

I already rail my containers, why do I have to pay the MSP Fee?

So as not to reduce the attractiveness of rail beyond the 140 mile radius the MSP Fee will be refunded to those import laden containers connecting by rail to railheads outside of this zone. This means that effectively the MSP Fee is nil for rail containers outside the 140 mile radius while the MSP Incentive ensures a positive incentive for rail containers within the 140 mile radius.

Which railheads are in the MSP Incentive Zone?

Railheads within the MSP Zone:

Avonmouth;
Birmingham Hams Hall;
Birmingham (BIFT) Birch Coppice;
Birmingham Landor Street;
East Midlands Gateway (EMG);
Bristol;
Cardiff;
Daventry;
Northampton;
DP World London Gateway;
Portbury

Which railheads are outside the MSP Incentive Zone?

Railheads outside the MSP Zone:

Coatbridge;
Doncaster;
Leeds;
Liverpool;
Manchester;
Mossend;
Rotherham;
Teesport;
Trafford Park;
Wakefield



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Why are you applying the MSP Fee and MSP Incentive to customs agents?

There is an existing charging infrastructure in place with the clearance agents of import containers. We believe that by applying this programme to the customs agent community there is the best chance of routing nominators actively making the choice to instruct supply chain providers to nominate rail as the import connection transport mode.

A demand led approach from the import supply chain routing nominator is the most powerful route to achieve sustainable modal shift.

Why can you not incentivise rail at DP World Southampton without a MSP Fee?

We have actively been looking to encourage rail for a number of years at DP World. We have invested heavily in providing world class infrastructure and operational capability to provide rail choices to our port users but this has unfortunately not increased the rail share of intermodal transport.

We will continue to support rail developments so that we can maximise the attractiveness of rail. For example, we are encouraging early nomination of imports for rail, prior to import discharge, so that we can efficiently expedite the flow of rail containers through the port.

Why is the MSP Fee not applied to export containers?

Import laden containers are the dominant flow for the UK economy and therefore drive operational requirements for our container terminals in the UK. If our supply chain partners choose to increase the proportion of imports that move by rail, then as a direct benefit of this behaviour change, more options will exist for export customers to route by rail with potential new routings and pricing levels which are enabled by a more utilised intermodal rail provision.

How is the MSP Incentive calculated?

The MSP Incentive is calculated based on the estimated total proportion of import laden containers estimated to connect by rail to railheads within a 140 mile radius of DP World Southampton. The available revenue from the MSP fees is then distributed over the amount of laden import rail containers within this 140 mile radius.

As the intent of the MSP is to increase the attractiveness of rail, the MSP Incentive will have to be re-calculated on a regular basis to adjust for increased uptake (or reduction) in the proportion of import laden containers connecting by rail to railheads within a 140 mile radius.

The incentive amount is subject to change during the MSP trial period. The actual sum may be a higher or lower amount than the initial MSP Incentive sum stated. The MSP



Incentive amount is dependent on the results of the modal shift and will vary on a quarterly basis.

How often will the MSP Incentive be reviewed?

The initial MSP Incentive level will run from 1st September to 31st December 2023. From 1st January, 2024 onwards it will be adjusted quarterly.

What about the agents / declarants cost incurred in collecting the MSP Fee and distributing the MSP Incentive?

Invoices will show a reduction of 50p as administration fee per container to reflect the additional administrative costs associated with the transaction. The net invoice charge to the agent / declarant will be £9.50 per import laden container for the MSP Fee from 1st September 2023.

How long is the MSP trial at DP World Southampton?

We intend to run the Modal Shift Programme at DP World Southampton for 12 months from 1st September 2023 to 31st August 2024. Should the MSP be deemed as being effective, the programme may be maintained and potentially rolled out further. We will announce the status of this no later than 31st July 2024.

Why is DP World in the UK not introducing the Modal Shift Programme at DP World London Gateway too?

We are starting with a trial of the Modal Shift Programme at DP World Southampton to validate the belief that the MSP Incentive will be of a sufficient scale for routing nominators within the supply chain to increase the uptake of rail/road, and drive a more sustainable behaviour for the UK economy and our planet. On the basis that the MSP is a success, we will look to increase the scale and scope of the initiative.

How do I learn more about rail options for my import shipments through DP World Southampton?

Details of rail services from DP World Southampton can be found on our website at: <https://www.dpworld.com/southampton/supply-chain>

Here you will also find information about the intermodal rail providers who will be able to provide service options and prices.

How I book my import container on rail?

There are many options to use intermodal rail from DP World Southampton. Details of rail services from DP World Southampton can be found on our website at: <https://www.dpworld.com/southampton/supply-chain>



Rail bookings can be made through a variety of options:

- Shipping Line – contact the import customer service team for the shipping line operating your import container.
- Rail Operating Company – we service intermodal rail services for all of the major UK operators.
- Freight Forwarder – many freight forwarders have the ability to book import containers by rail. Contact your freight forwarder to review options.

Is there enough rail capacity available to cope with increased rail volumes at DP World Southampton?

Yes. There are sufficient available network paths on the network, sufficient rail wagons for containers and engine traction to handle significantly higher volumes of containers by rail. We expect the utilisation of the current scheduled train services to increase and over time more rail services to be added.

When do you plan to start charging the MSP Fee?

The MSP Fee will be applied for all laden import containers leaving DP World Southampton after 00:01 on Friday 1st September 2023 and will be invoice to the clearance agent by the first week of October.

When will the MSP Incentive be credited to import customs agents?

The MSP incentive will be applied for all eligible rail containers on trains departing from 00:01am on Friday 1st September 2023 which have incurred a MSP Fee.

The MSP Incentive will be calculated monthly and will be credited to import customs agents no later than 6 weeks after the end of the month.

For example, an import container qualifying for the MSP Incentive in September will be included in the monthly invoice run at the start of November.

If the monthly invoice for the import customs agent is a net payment to DP World, then the MSP credit is applied immediately. If the MSP Incentive triggers a net payment to the import customs agent any balance will be paid by DP World on a quarterly basis.

What if I believe that the MSP Incentive should apply for a container, but has not been credited?

DP World will have visibility on the containers connecting from DP World Southampton to the train services from the port. However, should you need to enquire about a specific container or have any other question we can support you by email at: modalshift.uk@dpworld.com or by contacting the CNS customer helpdesk at 02380 799 600.



Will the MSP continue beyond the trial period?

We intend to run the Modal Shift Programme at DP World Southampton for 12 months from 1st September 2023 to 31st August 2024. Should we deem the MSP as being effective the programme may be maintained and potentially rolled out further. We will announce the status of this no later than 31st July 2024.

How does DP World benefit from the Modal Shift Programme?

DP World will not generate any direct revenue from the Modal Shift Programme. DP World will manage and administer the MSP with an administration allocation of maximum 5% of MSP Fee income to cover direct administration costs. DP World will engage external auditors to validate the MSP process and calculation. Data will be available to the Department for Transport to review.

How do you know which import laden containers travel by rail?

We have visibility on the containers connecting through DP World Southampton to the two railheads which service the intermodal rail containers into the UK.

Will the MSP Fee apply to all container types?

The MSP Fee will apply to all import laden containers discharged into DP World Southampton, regardless of equipment type.

When do I need to rail my container?

The MSP Incentive will be earned for all containers connecting to an import intermodal train within the MSP Incentive Zone within 72 hours of departing the DP World Southampton terminal as a gate out.