

Tritax Symmetry (Hinckley) Limited

## **HINCKLEY NATIONAL RAIL FREIGHT INTERCHANGE**

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### **The Hinckley National Rail Freight Interchange Development Consent Order**

Project reference TR050007

### **Market Needs Assessment Source Document – IBIS World Freight Rail Transport in the UK (November 2023)**

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Planning Act 2008

The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009  
Regulation 5(2)(q)

INDUSTRY REPORT

# Freight Rail Transport in the UK

**Nov 2023**



# About

## IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions.

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# About

A quick definition of the industry, its products and services, major companies and other key identifiers help you confirm you're in the right place.

# 1. About

<https://my.ibisworld.com//uk/en/industry/H49.200/about>

UK-SIC 2007

49.20

## Definition

Operators in this industry transport goods via rail using both main-line and short-line rail networks. The industry does not include the related warehousing, storage, cargo handling or freight terminal activities. Neither does it encompass the operation of railway infrastructure or switching and shunting activities.

## Related Terms

### **INTERMODAL TRANSPORT**

When shipping containers are moved on standardised trailers using different modes of transport.

### **ROLLING STOCK**

The wheeled vehicles owned and used by a rail operator, including locomotives, freight cars and passenger cars.

### **TONNE KILOMETRES**

The weight of freight hauled in tonnes, multiplied by the distance hauled in kilometres.

### **SIDINGS**

Small railway tracks beside main track lines, where freight locomotives, wagons, engines and other similar equipment is stored when not in use.

## What's Included

- Domestic intermodal transport
- Transporting construction materials
- Transporting other goods
- Transporting metals
- Transporting oil and petroleum
- Transporting coal
- International freight transport

## Companies

- DB Cargo (UK) Ltd
- Freightliner Group Ltd
- Direct Rail Services Ltd
- Mendip Rail Ltd

## Related Industries

### Industries in the Same Sector

- **Competitors:**
  - Freight Road Transport in the UK
  - Sea & Coastal Freight Water Transport in the UK
- **Complementors:**
  - Intercity Passenger Rail Transport in the UK
  - Urban Passenger Rail Operations in the UK
  - Warehousing & Storage in the UK

### International Industries

- Shortline Railroad Operation in the US
- Rail Transportation in Canada
- Rail Freight Transport in Australia
- Rail Transport in New Zealand
- Freight Rail Transport in China

## Additional Resources

- [Office of Rail and Road](#)
- [Logistics UK](#)
- [Freight on Rail](#)
- [Department for Transport](#)
- [British International Freight Association](#)

A large, stylized number '2' graphic in a light red color, positioned on the right side of the page. The '2' is composed of two overlapping curved shapes, with the top part being a semi-circle and the bottom part being a larger, more complex curve that forms the base of the digit.

# At A Glance

Evaluate key industry data and trends and get an overview of important report sections to use in meetings and presentations.



## 2. At a Glance

<https://my.ibisworld.com//uk/en/industry/H49.200/at-a-glance>



### Key Takeaways

#### Performance

There are growing concerns regarding fossil fuel consumption. Rising environmental awareness is driving revenue growth as freight rail companies have made some headway by promoting themselves as a more sustainable option than road freight.

Expansion of intermodal inland rail freight hubs aids the industry. The Freight Rail Transport industry will benefit from the continued expansion of hubs. Seven intermodal ports have been proposed, with some already under construction.

#### External Environment

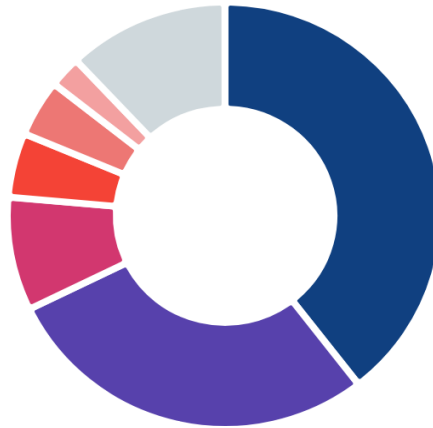
Increasing output from production industries. The largest component of this index is manufacturing, with increased manufacturing activity resulting in a growing need for industry services. The industrial production index is rising in 2022-23.

The Mode Shift Revenue Support Scheme. The UK government provides freight grants to intermodal rail movements. The scheme is funded by the DfT and is intended to reduce road congestion and reduce emissions by moving traffic to rail.

## Products and Services

### Products & Services Segmentation

Industry revenue in 2024 broken down by key product and service lines.



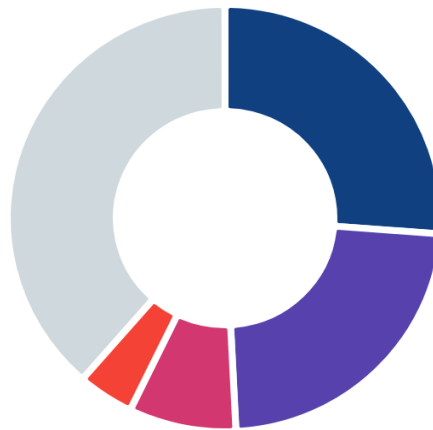
- Domestic intermodal transport (£489.6m) 39.5%
- Transporting construction materials (£350.8m) 28.3%
- Transporting metals (£106.6m) 8.6%
- Transporting oil and petroleum (£60.7m) 4.9%
- Transporting coal (£53.3m) 4.3%
- International freight transport (£29.7m) 2.4%
- Transporting other goods (£148.7m) 12.0%



Source: IBISWorld

## Major Players

### Major Players



## Key External Drivers

Key External Drivers	Impact
Business confidence index	Positive
Demand from freight road transport	Positive
Industrial production index	Positive
Fuel prices	Positive
Total value of construction	Positive
Demand from electricity production	Positive

## Industry Structure

Characteristic	Level	Trend
Concentration	Moderate	
Barriers To Entry	High	Steady
Regulation and Policy	High	Increasing
Life Cycle	Growth	
Revenue Volatility	High	
Capital Intensity	Moderate	
Assistance	Moderate	Decreasing
Competition	Moderate	Increasing
Innovation	Moderate	

## SWOT



### Strengths

- High & Steady Barriers to Entry
- Growth Life Cycle Stage
- Low Imports
- Low Customer Class Concentration
- Low Product/Service Concentration
- High Revenue per Employee



### Weaknesses

- Medium & Decreasing Level of Assistance
- High Volatility
- Low Profit vs. Sector Average
- High Capital Requirements



### Opportunities

- High Revenue Growth (2019-2024)
- Industrial production index



### Threats

- Low Revenue Growth (2024-2029)
- Low Performance Drivers
- Business confidence index

## Executive Summary

Over the five years through 2023-24, revenue is projected to grow at a compound annual rate of 0.2% to £1.2 billion. The Freight Rail Transport industry has benefitted from a shift from road to rail transport, driven by rising environmental awareness and improved operating efficiency. This has supported the industry's transformation from coal and steel to a more diversified mix of commodities following the decline in these two traditional sectors. Soaring gas prices led to increased use and transportation of coal, which is projected to continue in 2023-24.

Revenue expanded pre-COVID-19, supported by increased demand for intermodal transport and high construction material volumes. The COVID-19 outbreak spurred a collapse in freight volumes in the first half of 2020-21. However, volumes returned to pre-COVID-19 levels in the second half of the year and through 2021-22. Recovery has been hindered as economic instability has caused a decrease in business confidence. A severe shortage of HGV drivers is also accelerating the modal shift from road to rail. Revenue is anticipated to increase 1.4% in 2023-24, driven by improving business confidence and easing inflationary pressures.

Industry revenue is anticipated to expand at a compound annual rate of 2.6% over the five years through 2028-29 to reach £1.4 billion. Continued environmental pressures will also accelerate the move from road to rail transport in the coming years, with the extension of the Mode Shift Revenue Support Scheme through

2024-25 supporting a continued increase in demand. Track improvements and capacity expansion may allow companies to improve their competitiveness. This means rail transporters can capture a more significant share of overall freight volumes, which increase in line with long-term recovery in wider economic activity.

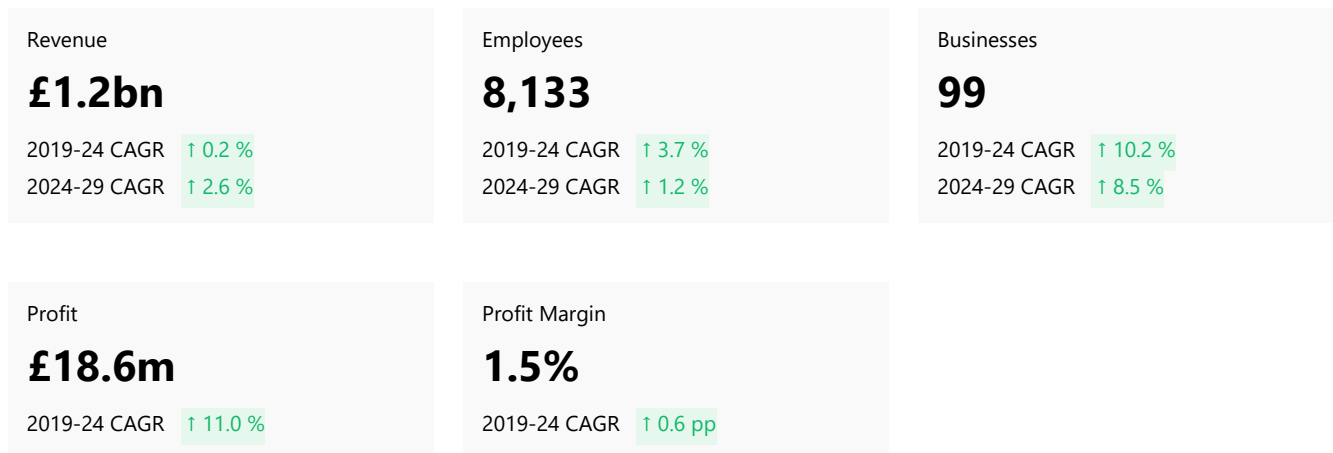
# Performance

Track historical, current and forward-looking trends in revenue, profit and other performance indicators that make or break an industry.

## 3. Performance

<https://my.ibisworld.com//uk/en/industry/H49.200/performance>

### Highlights



### Key Takeaways

- **There are growing concerns regarding fossil fuel consumption.** Rising environmental awareness is driving revenue growth as freight rail companies have made some headway by promoting themselves as a more sustainable option than road freight.
- **Expansion of intermodal inland rail freight hubs aids the industry.** The Freight Rail Transport industry will benefit from the continued expansion of hubs. Seven intermodal ports have been proposed, with some already under construction.



## Executive Summary

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# Performance Snapshot

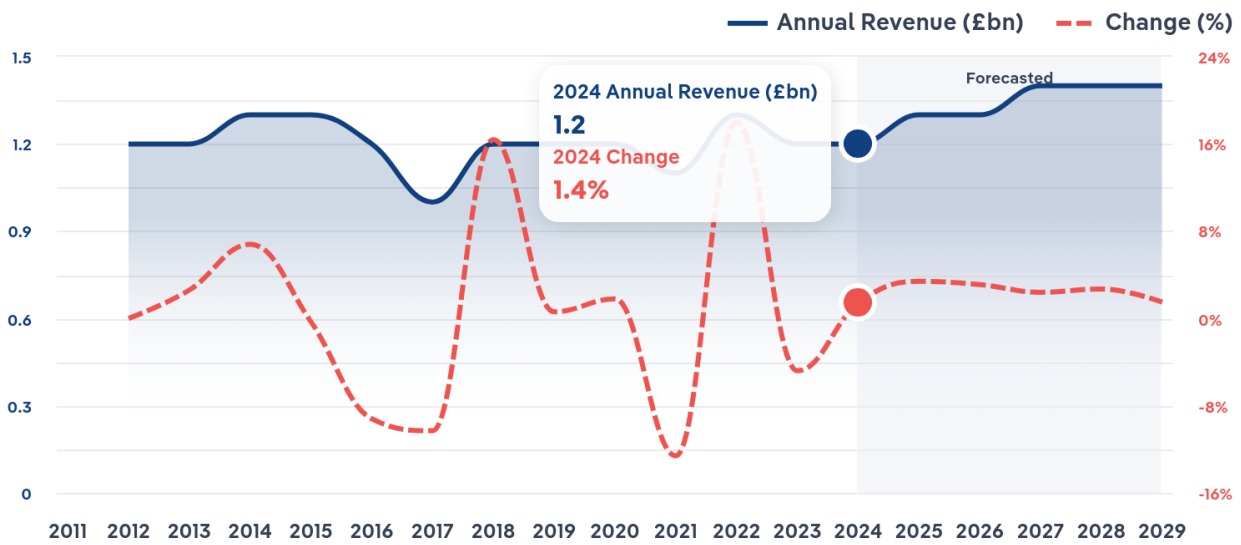
↑ 2019-24 Revenue CAGR +0.2%

## Revenue:

<p>Revenue</p> <p><b>£1.2bn</b></p> <p>'19-'24 ↑ 0.2 %</p> <p>'24-'29 ↑ 2.6 %</p>	<p>2024 Revenue CAGR</p> <p>↑ 1.4 %</p>	<p>Revenue Volatility</p> <p>↓ High</p>
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## Revenue

Total value (£) and annual change from 2011 – 2029. Includes 5-year outlook.

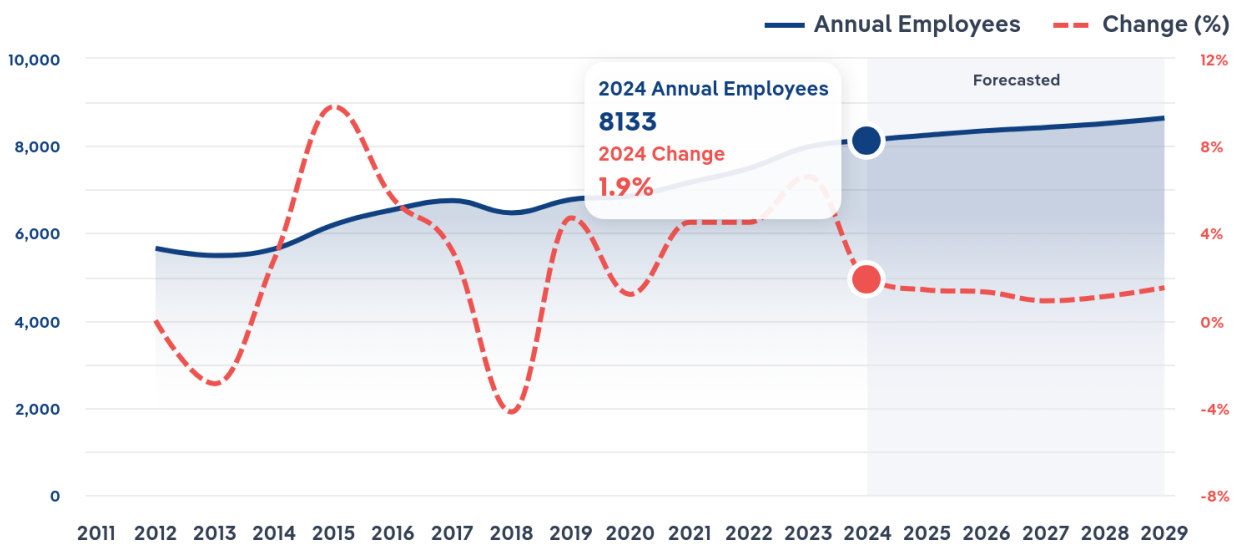


Employees:

<p>Employees</p> <p><b>8,133</b></p> <p>'19-'24 <span style="color: green;">↑ 3.7 %</span></p> <p>'24-'29 <span style="color: green;">↑ 1.2 %</span></p>	<p>Employees per Business</p> <p><b>82</b></p> <p>'19-'24 <span style="color: red;">↓ 5.8 %</span></p> <p>'24-'29 <span style="color: red;">↓ 6.7 %</span></p>	<p>Revenue per Employee</p> <p><b>£152k</b></p> <p>'19-'24 <span style="color: red;">↓ 3.4 %</span></p> <p>'24-'29 <span style="color: green;">↑ 1.4 %</span></p>
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## Employees

Total number of employees and annual change from 2011 – 2029. Includes 5-year outlook.

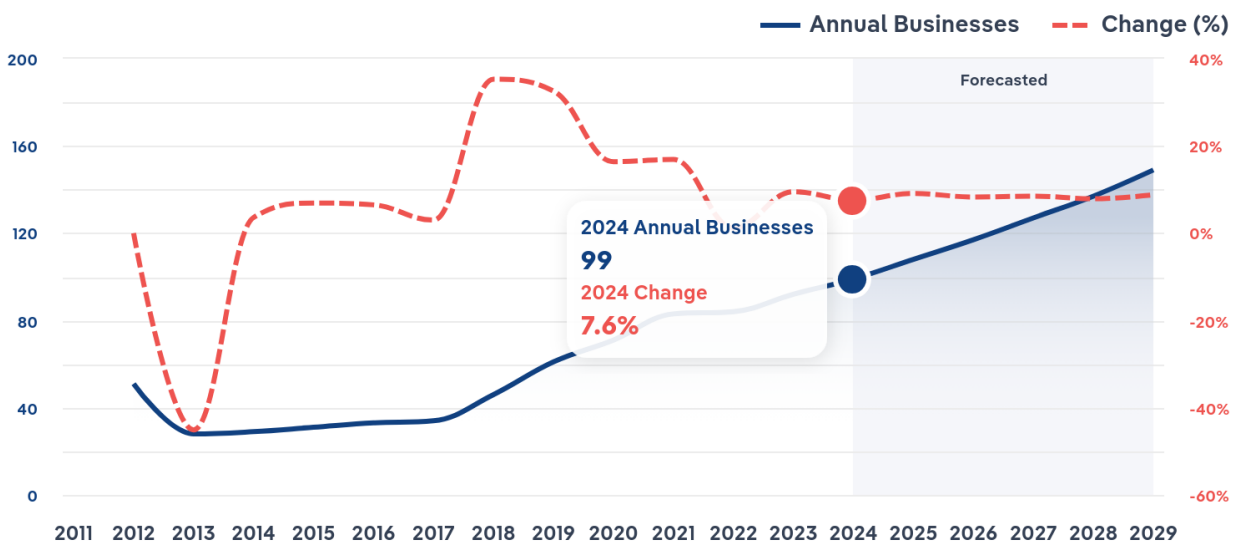


Businesses:

<p>Businesses</p> <p><b>99</b></p> <p>'19-'24 <span style="color: green;">↑ 10.2 %</span></p> <p>'24-'29 <span style="color: green;">↑ 8.5 %</span></p>	<p>Employees per Business</p> <p><b>82</b></p> <p>'19-'24 <span style="color: red;">↓ 5.8 %</span></p> <p>'24-'29 <span style="color: red;">↓ 6.7 %</span></p>	<p>Revenue per Business</p> <p><b>£12.5m</b></p> <p>'19-'24 <span style="color: red;">↓ 9.0 %</span></p> <p>'24-'29 <span style="color: red;">↓ 5.4 %</span></p>
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## Businesses

Total number of businesses and annual change from 2011 – 2029. Includes 5-year outlook.



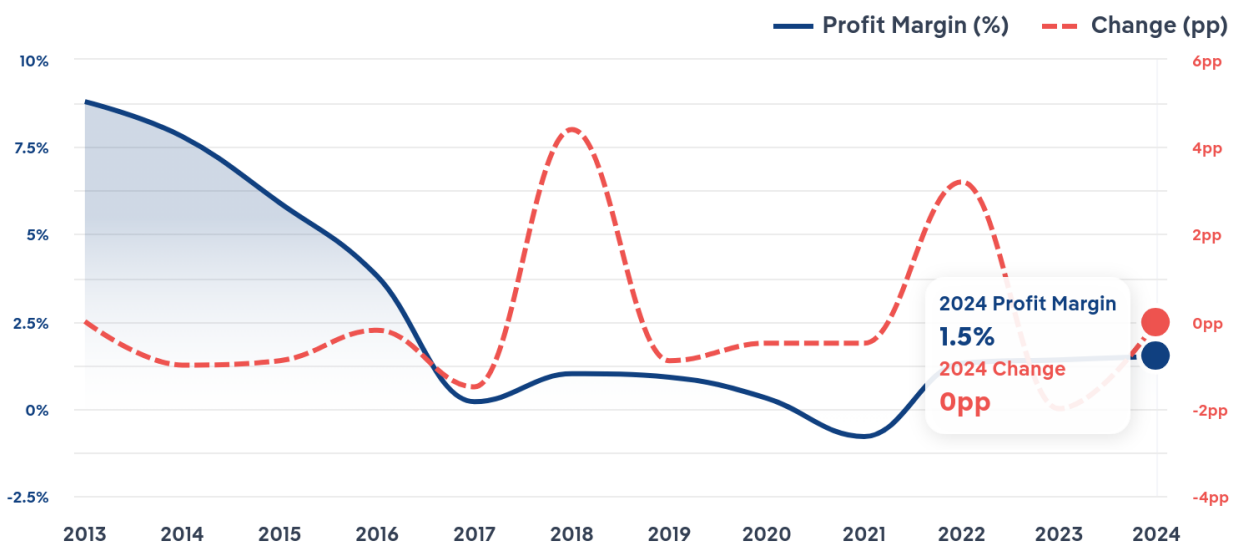
Source: IBISWorld

Profit:

Total Profit <b>£18.6m</b> '19-'24 <span style="color: green;">↑ 11.0 %</span>	Profit Margin <b>1.5%</b> '19-'24 <span style="color: green;">↑ 0.6 pp</span>	Profit per Business <b>£187.8k</b> '19-'24 <span style="color: green;">↑ 0.8 %</span>
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## Profit Margin

Total profit margin (%) and annual change from 2011 – 2024



## Performance Snapshot

### What's driving current industry performance?

#### **Sustainable freight options are aiding revenue growth**

- Growing concerns regarding fossil fuel consumption are driving revenue growth - freight rail companies have managed to make some headway by promoting themselves as a more sustainable option than road freight.
- According to the Retail Delivery Group, environmental gains, reduced congestion and improved safety mean rail freight delivers economic benefits of nearly £2.5 billion to the UK economy annually.
- Government support to encourage a shift to rail has assisted revenue growth, as the Department for Transport's Mode Shift Revenue Support Scheme contributes to operating costs associated with running rail freight.

#### **Increasing demand for freight rail aids revenue growth**

- Rail transporter's revenue declined by 12.6% in 2020-21 as the volume of freight fell, constrained by COVID-19 restrictions and trade frictions caused by Brexit.
- A rise in freight movement has aided revenue - the volume of rail freight reached 4.3 billion net tonne kilometres in the second quarter of 2021-22, according to the Office for Rail and Road, representing a 10% increase from the year prior.
- Transport of construction materials has been the largest contributor to renewed growth - consumption of heavyside materials (such as aggregates and asphalt) reaches new heights, driven by enhanced public sector expenditure.

#### **A shift away from road freight has driven revenue growth**

- An accelerating shift from road to rail transport - owing to a severe HGV driver shortage - is boosting freight rail companies' revenue opportunities.
- Many downstream businesses have started using rail freight to transport goods as it saves them millions of road miles and thousands of carbon dioxide emissions.
- Freight rail companies are at the forefront of this shift away from road freight, including DB Cargo's 'freight belongs on rail' campaign to encourage businesses to shift operations onto rail, outlining the environmental benefits this shift provides.

#### **The industry's net-zero targets have been hindered by ongoing economic instability**

- Recent retirements of the industry's leading electric locomotives have clouded rail freight's shift into zero-emission transport.

- Major retirements include Freightliner in 2019 and DB Cargo's more recent retirement of its 24 locomotive electric fleet in 2023. This will likely influence investment into electric locomotives in the short term as companies become more weary of investment amid economic instability.

# Volatility

## What influences industry volatility?

### Coal volume plays a part in current volatility

- A focus on reducing carbon emissions led to an accelerated decline in coal volumes. Rail companies were forced to re-adjust to the shift in operating conditions, seeking to capture a share of growing demand for intermodal transport - this has caused some volatility in freight volumes.
- Despite a rise in coal transportation from the end of 2021, due to a surge in gas prices leading to increased use of coal, the overall share of freight revenue attributed to transporting coal is expected to decline, with the government aiming to phase coal out of the UK's energy mix by 2024.

### Oil price volatility plays a major role

- Changes in fuel costs are usually passed on to clients in the form of higher or lower rates. However, due to the rising level of competition, freight rail companies are unlikely to raise their prices too high, as this can result in a large fall in demand.
- Oil prices will remain high as Russia's war on Ukraine continues, with sanctions and threats to cut European oil supply demonstrating oil's current influence on revenue volatility.
- Russia supplies 11% of global oil supply and one-quarter of Europe's crude oil, outlining the war's influence on supply chains.

### Economic uncertainty affects business confidence

- Disruption to domestic and global economic activity has spurred significant unseasonal fluctuations in freight rates and volumes.
- Inflation and interest rate hikes have reduced business confidence, leading to reduced freight movement in 2023-24; however, higher interest in rail freight over road will mitigate this revenue dip.
- The COVID-19 outbreak reduced the volume of freight moved, with the Office for Rail and Road reporting a 17.3% decline in 2020-21.



## Low & slow

Industry volatility vs. revenue growth (2018-23 CAGR)



IBISWorld

Source: IBISWorld

### ☆ Key Success Factor

## How do successful businesses overcome volatility?

### Access secure revenues

Securing lucrative long-term distribution deals is key to guaranteeing steady revenue expansion year on year.

### Develop a loyal customer base

Developing a secure customer base is key to freight rail transport companies as clients who are loyal to the industry are less likely to find alternative freight solutions to the industry amid inflationary pressures or weak business confidence.

## Outlook

### What's driving the industry outlook?

#### **Future rail funding aided by rising environmental awareness**

- Investment into making rail freight more sustainable will increase as the decarbonisation of UK freight movements becomes key to the government's net zero by 2050 goal.
- The Mode Shift Revenue Support Scheme, designed to shift road freight to rail freight, has been extended through 2024-25 and will aid freight rail performance. The government's commitment to supporting this shift was reinforced by the Williams-Schnapps Plan for Rail, highlighting the key role rail freight can play in the UK's wider decarbonisation agenda.
- Major freight companies will continue to enforce this shift as campaigns (including 'freight belongs on rail') continue to gain headway.

#### **The expansion and increased interconnectivity of the UK's network will drive revenue growth**

- The Freight Rail Transport industry will benefit from the continued expansion of intermodal inland rail freight hubs – the first was iPort Rail in 2018 and then the East Midland Gateway in 2020. Seven more intermodal ports have been proposed, with some already under construction.
- Eight new UK free ports were announced in 2021 and could help promote intermodal freight volumes over the coming years. Increasing freight volumes at new freeports will expand rail freight demand. Higher demand is due to logistics operators looking to direct capacity away from channel ports because of current delays.

#### **Technological innovations boost rail freight sustainability and revenue**

- The removal of all diesel trains from the rail network by 2040 and further electrification of railways will reduce and potentially neutralise emissions from freight rail.
- The UK's first hydrogen fuel cell train was debuted in 2021 - this technology will help decarbonise the rail network and demonstrates the industry's commitment to net zero.
- Freight rail companies are committed to meeting net-zero goals, which will boost revenue growth as consumers become more environmentally aware.

## Life Cycle

### Why is the industry growing?

#### **Contribution to GDP**

The contribution to GDP is increasing as the government continues to support the transition from road freight to rail freight due to its environmental benefits.

#### **Market Saturation**

The four largest freight rail transport companies account for 72.2% of industry revenue in 2023-24, with each operator specialising in specific markets such as nuclear waste.

#### **Innovation**

Freight rail operators have become more innovative as improved carbon footprints and operating efficiency drive revenue growth. Innovative locomotives are being introduced to meet the UK's net zero goal by 2050.

#### **Consolidation**

The industry is in cohesion regarding the shift from road to rail freight, with larger companies operating in the industry undergoing consolidation to strengthen their net-zero position.

#### **Technology and Systems**

Technological development has allowed freight rail to improve operating efficiency and carbon footprints, with technology (which includes hydrogen fuel cells) implemented into locomotives for the same goal.

# Products and Markets

Find out what the industry offers,  
where trade is most concentrated and  
which markets are buying and why.

## 4. Products and Markets

<https://my.ibisworld.com//uk/en/industry/H49.200/products-and-markets>

### Highlights

Largest Market

**£489.6m**

Domestic intermodal transport

Product Innovation

Moderate

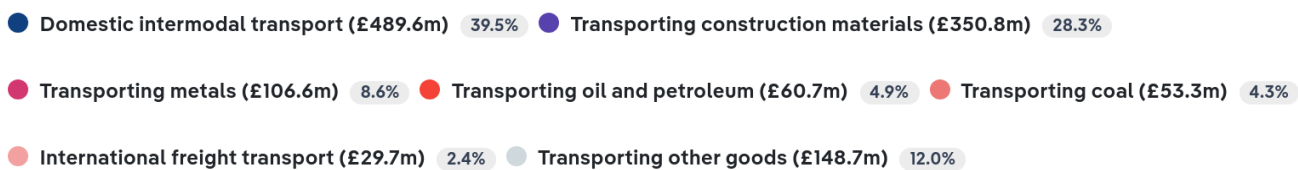
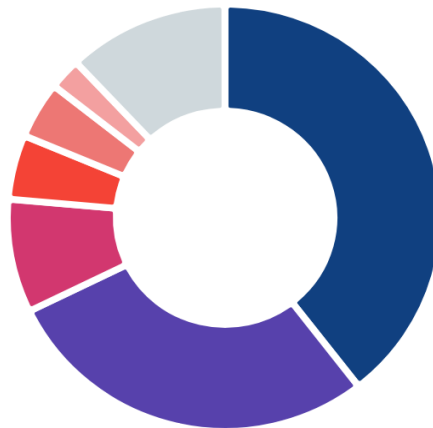
### Key Takeaways

- **Strong growth in intermodal transport.** This form of transport has a much higher value per tonne kilometre than bulk products. Rail freight has achieved growth in this product, taking much of road freights intermodal demand.
- **There is rising demand from retailers and wholesalers.** A surge in online buying has supported demand from retailers as they use rail freight to transport goods from manufacturers, ports and international locations to distribution centres in the UK.

## Products and Services

### Products & Services Segmentation

Industry revenue in 2024 broken down by key product and service lines.



### How are the industry's products and services performing?

#### Domestic intermodal transport continues to gain traction as a vital rail freight product

- Intermodal transport is the transport of containerised goods where rail makes up part of the journey it has a much higher value per tonne-kilometre than bulk products. Rail freight has achieved strong growth in this product.
- According to a joint study by Rail Freight Group and the UK Major Ports Group, UK intermodal rail freight has doubled over the 20 years through 2020-21, and there is room for more growth.
- Rail freight has become quicker and more reliable due to high levels of investment in terminals and infrastructure, leading to many consumers opting for rail over road.

#### Construction activity booms have spurred revenue growth

- The transport of construction materials includes moving heavy products (including gypsum) in bulk by rail.

- Temporary site closure during COVID-19 halted demand. However, construction activity recorded a strong rebound during 2021-22, with the Office of Rail and Road reporting a 77.8% increase in volume.
- HS2 construction work continues to drive growth, and, with existing quarries at capacity, previously dormant rail facilities at quarries are being re-opened to provide additional output.

### **UK steel industry decline reduced metal transportation demand**

- Moving metal - including iron, steel and scrap metals - by rail freight is a fast and cost-effective method of haulage. It is generally considered the most efficient and environmentally sustainable form.
- The volume of metals transported has fallen, largely due to a sustained decline in the UK steel industry.
- Demand for metal transport by rail is rising due to the recovery of industrial production activity following economic instability.

### **Oil and petroleum uncertainty hurt demand**

- The transportation of oil and petroleum by rail accounts for a fairly small amount of revenue.
- Demand for the transport of oil and petroleum by rail has tumbled due to increased fuel efficiency of the UK motor fleet and decarbonising goals.
- Returning car use has created glimpses of hope for renewed demand; however, the proportion of freight movements accounted for by this segment has fallen.

### **Previously a cornerstone of rail freight movements, coal's sharp decline continues**

- Transportation of coal was historically the keystone of the industry, accounting for a peak for nearly two-fifths of rail freight moved in 2006-07.
- The government's aim to phase coal out of the UK's energy mix by 2024 means this product segment will likely disappear.
- Surging energy prices in 2022 and 2023 have caused record-high gas prices, subsequently reigniting coal demand.

### **High gas prices will remain, supporting coal clawing its way back into rail freight**

- The transport of other goods, including automobiles, by rail is rising. Agricultural produce, post, biomass, household waste, military equipment, production inputs, transport equipment, manufacturing equipment and automobiles are also carried by freight trains.
- Demand for automobiles has been increasing, as has demand from manufacturers, which means this segment's share of freight tonne kilometres has improved.

 Key Success Factor

## What products or services do successful businesses offer?

### **Allocate products and/or services to areas of greatest need**

Since demand from many market segments is cyclical and mature, the ability to alter services in line with fluctuating market conditions provides companies with a competitive advantage.

### **Invest in research and development**

Freight rail companies recent investment into electric locomotives has proved to be a major revenue drivers, with investment into R&D enabling companies to gain an edge over rivals.

## What are innovations in industry products and services?

### **Locomotive innovation is driven by sustainability targets**

- Freight rail companies are replacing older locomotive models with more fuel-efficient trains, driven by the industry's sustainability targets alongside more stringent emissions regulations.
- Removing all diesel trains from the rail network by 2040 and electrification of railways will further reduce and potentially neutralise emissions.

### **Major rail transporter's sustainability awareness attracts investment**

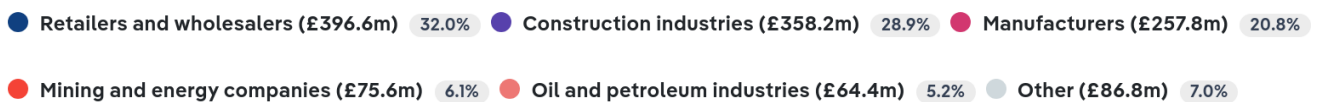
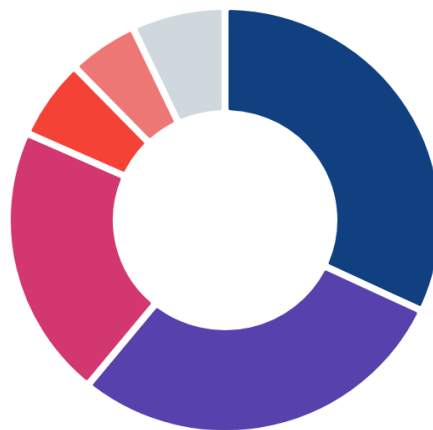
- Freight rail transport has gained differentiation over rivals by focusing on sustainability.
- DB Cargo's 'freight belongs on rail' sustainability drive has gained governmental funding and increased demand.



## Major Markets

### Major Market Segmentation

Industry revenue in 2024 broken down by key markets



IBISWorld

Source: IBISWorld

### What's influencing demand from the industry's markets?

#### Retailers and wholesalers remain the main drivers of intermodal transport

- Retailers and wholesalers use rail freight to transport goods from manufacturers, ports and international locations to distribution centres in the UK.
- A surge in online buying has supported increased demand from this segment. Inflationary pressures and the ongoing cost-of-living crisis through 2022-23 and the current year have eroded consumer confidence as real household disposable incomes drop.
- Overall, demand from this segment remains fairly stable due to the essential nature of many of these goods and high levels of consumerism in the UK.

#### Growing construction activity is set to increase demand for freight rail transport

- Construction industries use rail freight to transport construction materials.

- Construction activity increased before the pandemic, supported by growth in residential construction markets due to several government-initiated schemes to stimulate demand.
- Operational and supply chain disruption caused by COVID-19 spurred a large decline in demand from construction companies in 2020-21. However, following a strong rebound from these initial lows, construction output recovered to pre-pandemic levels during the opening part of 2021-22.
- Global shortages of key materials have weighed on the sector's recovery since, constraining demand for freight rail services from construction companies.

### **Manufacturer's demand is hindered by the fluctuating pound**

- Manufacturing industries use rail to transport inputs and to distribute finished goods. They are the main consumers of non-bulk freight transport.
- Depreciation in the pound due to current economic instability has supported demand for UK exports, alongside increased manufacturing stockpiling caused by trade-related uncertainty, mostly amid Brexit.
- The introduction of the new EU-UK Trade and Cooperation Agreement caused demand from manufacturers to decline following its implementation in January 2021, mostly due to added regulatory framework and supply chain disruptions.

### **UK sustainability targets diminish demand from mining and energy markets**

- Miners and energy companies predominately use rail to transport coal to power stations.
- Government efforts to phase coal out of the UK's energy mix by 2024, in line with long-term decarbonisation targets, have led to a rapid decline in demand from mining and energy consumers.
- In 2022-23, coal production fell to a record low of 643.3 thousand tonnes, down 35% from the prior year, according to BEIS data.
- A surge in energy prices in 2022 and 2023 has supported demand for coal use as the energy crisis continues, causing demand for coal transport to expand.

### **Oil and petroleum set to filter out of key markets as environmental awareness continues**

- The oil and petroleum industries use rail freight to transport crude oil, petrol, diesel, aviation fuel, gas and other petroleum-based products.
- The majority of demand is for the transport of refined or finished products from refineries to distribution centres. The construction of new pipelines has reduced the reliance on rail freight for this market.
- The improving efficiency of cars and rising environmental consciousness have limited crude oil and petroleum usage, reducing demand from this market.

### **Supply chain disruptions influence farmers and international customers**

- Other markets include international customers, farmers and the government. International customers are a small market for the industry and are generally limited to freight travelling through the Channel Tunnel.
- There is strong potential for growth in the international market, but it is heavily dependent on the capacity of the international routes including the channel tunnel and demand for competing passenger rail services.

# Geographic Breakdown

Discover where business activity is most concentrated in this industry and what's driving these trends.

## 5. Geographic Breakdown

<https://my.ibisworld.com//uk/en/industry/H49.200/geographic-breakdown>

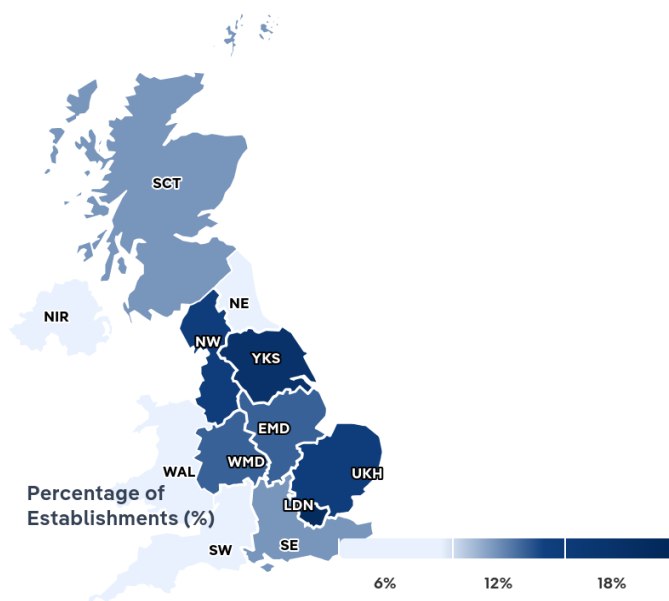
### Key Takeaways

- **London is experiencing an infrastructure boom.** The capital therefore requires aggregate and construction goods to be transported to the city via rail. The European rail hub in Barking also contributes towards a number of train operators being located in the area.
- **Yorkshire is a large region for freight rail.** The region gained the newest intermodal port, iPort Rail, in 2018. Yorkshire and the Humber also boasts many pivotal freight rail hubs, including Leeds, Hull and York.

## Business Locations

### Business Concentration

Percentage of total industry Establishments in each region



Source: IBISWorld

County	Establishments %	Population %
London	16.4	13.5
Yorkshire	14.8	8.2
East of England	11.5	9.4
North West	11.5	11.0
East Midlands	9.8	7.2
West Midlands	9.8	8.9
Scotland	8.2	8.2
South East	8.2	13.7
South West	4.9	8.4
Wales	3.3	4.7
North East	1.6	4.0
Northern Ireland	0.0	2.8

## Where are industry businesses located?

### London: The most interconnected region

- London is home to the majority of freight rail transport companies.
- The capital is experiencing a large infrastructure boom, requiring aggregate and construction goods to be transported to the city via rail for projects such as Crossrail and HS2.
- The European rail hub in Barking also contributes towards the large number of train operators being located in the area, as it connects the Channel Tunnel to the major distribution centre of Daventry via rail.

### Yorkshire gains intermodal success, attracting establishments

- Yorkshire and the Humber is a large region for freight rail and gained the newest intermodal port, iPort Rail, in 2018. The site is located in Doncaster and connects to the East Coast Main Line, providing easy access to the M18.
- The region is home to the Drax Power Station, which supplies 6% of Britain's energy needs, including 15% of its renewable power, through a mix of biomass and coal.
- Yorkshire boasts many pivotal freight rail hubs, including Leeds, Hull and York.

### The North West is a hub for manufacturing activity

- The North West contains major transport hubs, including Liverpool and Manchester.
- Liverpool is an important transport hub for bulk cargo, bulk liquids and oil, meaning a number of freight rail companies operate in the area.
- Construction activity is growing significantly in Manchester, which is also located in the region.

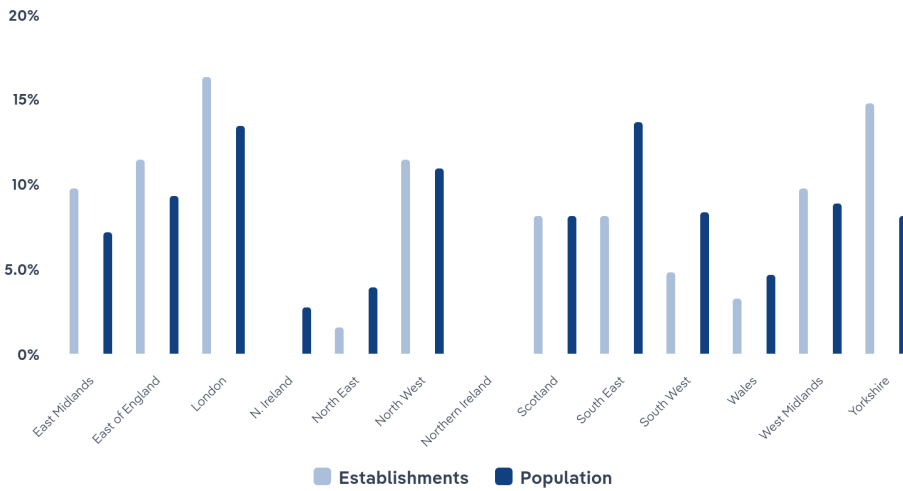
### The South East: Regional ports largely contribute to the area's influence

- Major ports in the South East contribute heavily to freight rail demand, including the Port of Dover and Southampton, acting as entry points for mainland European trade.
- The region's rich international trading history ensures a stream of goods being transported via rail.
- The South East contains the Dollands Moor rail freight terminal, which receives trains from Continental Europe via the Channel Tunnel.

Freight Rail Transport in the UK

## Yorkshire has the largest spread of businesses compared to its population

Share of Establishments (%) vs. share of population (%):



IBISWorld

Source: IBISWorld

### ☆ Key Success Factor

## How do businesses use location to their advantage?

### Develop an extensive distribution network

Maintaining a large and diverse network allows the industry to offer an improved service, including combining alternative transport modes to provide door-to-door services.

### Allocate products and/or services to areas of greatest need

Since demand from many market segments is cyclical and mature, the ability to alter services in line with fluctuating market conditions provides companies with a competitive advantage.



 Key Success Factor

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# Competitive Forces

Uncover challenges and benefits in the operating environment, digging into market share, buyer and supplier power and key success factors for operators.

# 6. Competitive Forces

<https://my.ibisworld.com//uk/en/industry/H49.200/competitive-forces>

## Highlights

### Concentration

Moderate

### Competition

Moderate ↓ Increasing

### Barriers to Entry

↑ High Steady

### Substitutes

↓ High ↑ Decreasing

### Buyer Power

Moderate Steady

### Supplier Power

Moderate Steady

## Key Takeaways

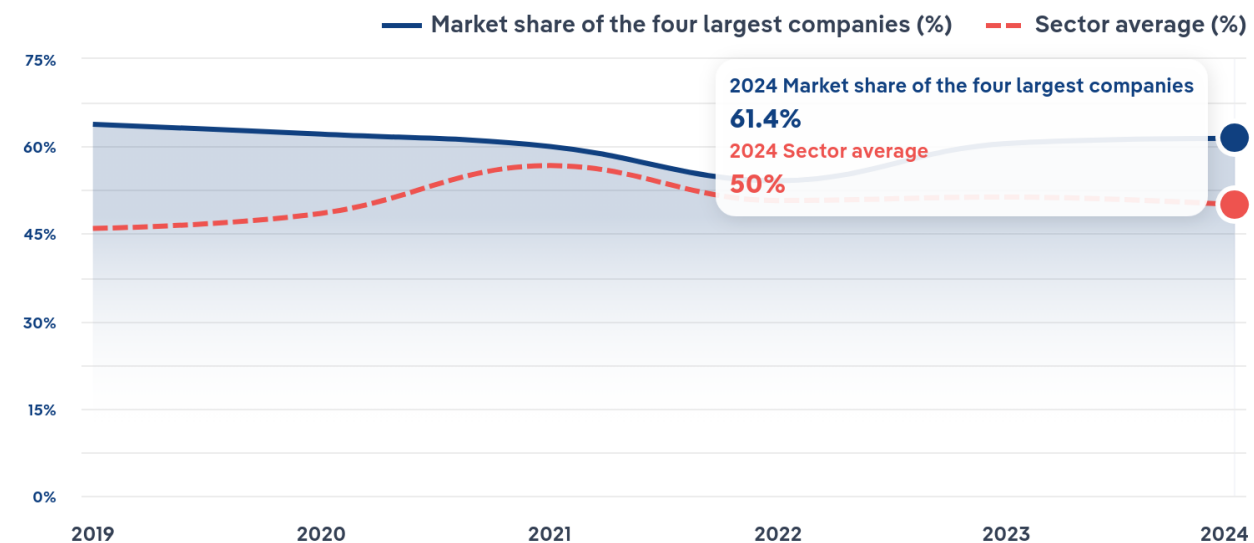
- **The shift from road to rail.** The Freight Rail Transport industry is portraying strong growth from rail freight operators due to demand shifting away from road transport. However, this success is only shared by a small number of train companies.
- **The industry faces competition from the Freight Road Transport industry.** Rail's main competitive advantage over road transport is its efficiency in moving large loads over long distances.

## Concentration

Moderate

### Market Share Concentration

Combined market share of the four largest companies in this industry



IBISWorld

Source: IBISWorld

### What impacts the industry's market share concentration?

#### High barriers of entry into freight rail

- High barriers of entry block potential entrants from freight rail and creates high market share concentration.
- Purchasing freight rail fleets to compete with established companies is very expensive.
- The industry is portraying strong growth from rail freight operators due to the shift from road to rail; however, this success is only shared by a small number of train companies.
- The adoption of more sustainable fleets blocks many entrants due to the increased cost of adopting more sustainable locomotives.

#### The shift away from coal freight transport

- The collapse in the use of coal and British steel production has pushed rail companies to shift away from coal dependence to focus on growing segments, including intermodal, which involves several transport systems.

- Transporting coal is forecast to fall to account for 4.3% of industry revenue in 2023-24. DB Cargo is experiencing a decline in its market share due to its move away from previous success in coal.

☆ Key Success Factor

## How do successful businesses handle concentration?

### **Specialise in a product or service that is considered essential by legislators**

Freight rail transport companies can specialise in certain areas of freight rail movement, allowing them to differentiate themselves from the competition.

### **Use new technology to contain costs and boost productivity**

Utilising technological developments has proved to be key to tackling concentration in the industry, as sustainability and efficiency prove to be pivotal talking points.

## Barriers to Entry

High

Steady

### What challenges do potential industry entrants face?

#### Legal

- Approval for planning permission to build new rail tracks is needed, but the potential for disruption, noise pollution and accidents make this nearly impossible to secure.

#### Start-Up Costs

- Infrastructure, high leasing costs and acquiring suitable locomotives are all prohibitive costs when entering the industry. Potential new entrants may have difficulty accessing appropriate paths on the rail network, as main lines may be busy or prohibitively expensive.

#### Differentiation

- The establishment of the UK Rail Freight Alliance in 2013 is likely to have helped shape the functioning and regulation of the industry in favour of the five members of the alliance, limiting new entrants.

#### Labour Expenses

- The difficulty and cost of recruiting staff with appropriate experience and route knowledge may be a barrier for some freight rail transporters. New entrants may be pushed to source staff from larger train companies, which would prove difficult and costly.

 Key Success Factor

## How can potential entrants overcome barriers to entry?

### **Develop effective cost controls**

Volatile fuel costs make it more difficult for companies to control their profitability. Companies can cut the risk associated with this by using forward fuel contracts.

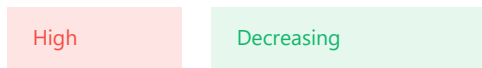
### **Develop effective quality control**

It is important for an operator's services to run on time. This can be benchmarked against the industry using the Freight delay per 100 train kilometres published by the Office of Rail and Road.

### **Ensure proper licensing**

Freight rail companies require a licence to operate non-passenger trains on the main-line network. Specialist licences are also required to transport hazardous materials.

## Substitutes



### What are substitutes for industry services?

#### Freight road transport

- Demand for freight road transport maintains an edge over freight rail due to its ability to transport goods directly and at fairly low cost. There is also an abundance of road freight companies that consumers can choose from.
- Freight rail transport always includes freight road transport in some form, as transport is needed from the railway to the consumer.
- Rail transport companies have chipped away at freight road demand by outlining the environmental gains of shifting away from road transport - this reduces the strength of this substitute.



# Buyer & Supplier Power

## Supply Chain

Direct and indirect supplier and buyer industries related to this industry



## What power do buyers and suppliers have over the industry?

### Buyers: The quality of transport is fundamental to holding an advantage

Moderate

Steady

- Buyers primarily select a freight rail operator based on its transport and operations quality.
- Quality will become increasingly influential on freight rail companies as they attract new businesses due to the ongoing shift away from road freight.

### Suppliers: Switching locomotives proves costly

Moderate

Steady

- Freight rail companies are implementing rolling stock upgrades to more fuel-efficient and sustainable locomotives to meet carbon neutrality targets.
- There is little differentiation in rolling stock upgrades, as most freight rail companies implement locomotive upgrades in response to competition.

#### ☆ Key Success Factor

## How do successful businesses manage buyer & supplier power?

### Develop an extensive distribution network

Maintaining a large and diverse network allows the industry to offer an improved service, including combining alternative transport modes to provide door-to-door services.

### Become a member of an industry organisation

Becoming a member of an industry organisation allows freight rail companies to gain an edge over buyers and suppliers.

# Companies

Find out which companies hold the most market share and how revenue, profit and market share have shifted over time for these leaders.

# 7. Companies

<https://my.ibisworld.com//uk/en/industry/H49.200/companies>

## Key Takeaways

- **'Freight belongs on rail' campaign.** DB Cargo has established strong footing by creating the campaign, which has proved highly beneficial for demand. The company has received backing from Drax Group to aid it in its bid to improve sustainability.
- **GB Railfreight has expanded due to several contract wins.** A significant contract the company holds is a seven-year deal with Hanson Cement. GB Railfreight has also gained a large Coca-Cola bottle manufacturer as a client.

## Market Share

### Industry Market Share by Company

Industry-specific company revenue as a share of total industry revenue



Chart displays current year only in the PDF version of this report. You can view and download chart for all other years associated with this industry on [my.ibisworld.com](https://my.ibisworld.com).

## Companies

Company	Market Share (%) 2024	Revenue (£m) 2024	Profit (£m) 2024	Profit Margin (%) 2024
DB Cargo (UK) Ltd	26.2	325.0	-2.0	-0.6
Freightliner Group Ltd	23.0	284.7	N/A	N/A
Direct Rail Services Ltd	8.0	98.8	1.0	1.0
Mendip Rail Ltd	4.2	52.1	N/A	N/A

You can view and download company details on [my.ibisworld.com](https://my.ibisworld.com).

# External Environment

Understand the demographic, economic and regulatory factors positively and negatively affecting the industry.

# 8. External Environment

<https://my.ibisworld.com//uk/en/industry/H49.200/external-environment>

## Highlights

### Regulation & Policy

↓ High   ↓ Increasing

### Assistance

Moderate   ↓ Decreasing

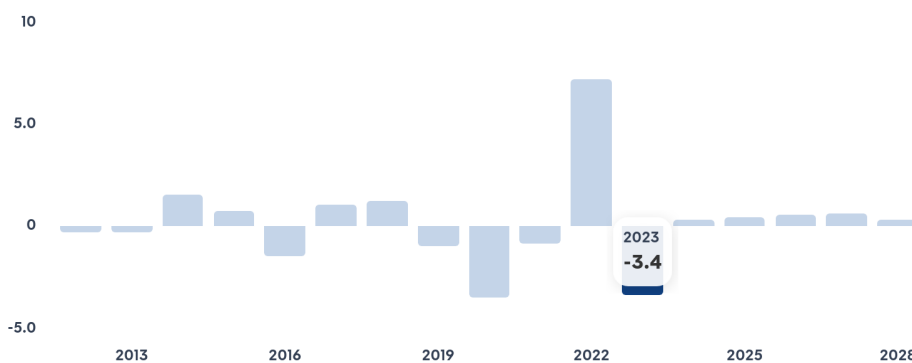
## Key Takeaways

- **Increasing output from production industries.** The largest component of this index is manufacturing, with increased manufacturing activity resulting in a growing need for industry services. The industrial production index is rising in 2022-23.
- **The Mode Shift Revenue Support Scheme.** The UK government provides freight grants to intermodal rail movements. The scheme is funded by the DfT and is intended to reduce road congestion and reduce emissions by moving traffic to rail.

## External Drivers

What demographic and macroeconomic factors impact the industry?

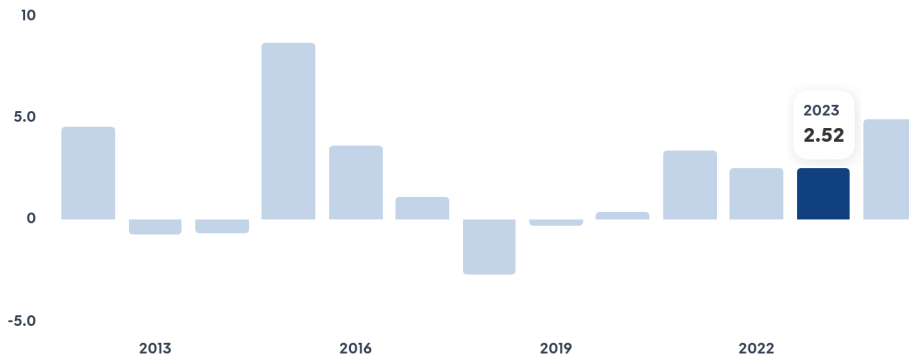
Business confidence index  
Growth



Declining business confidence index levels have a strong correlation to industry demand, with decreasing levels leading to reduced usage of freight rail services. Business confidence is expected to rise marginally in 2023-24, however remains below pre-COVID-19 levels, threatening the industry.



**Demand from freight road transport**  
Growth

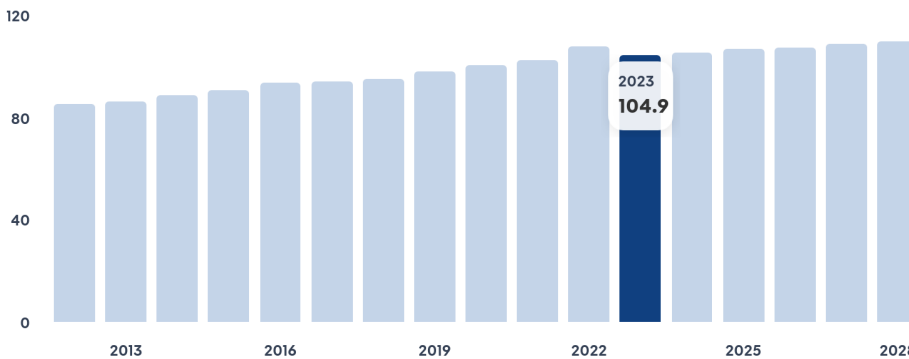


IBISWorld

Source: IBISWorld

Fluctuating demand for external competition affects industry revenue, including competition from freight road transport. Decreased freight road volumes aid demand for rail freight. Demand from freight road transport is projected to decline in 2023-24.

**Industrial production index**  
Index

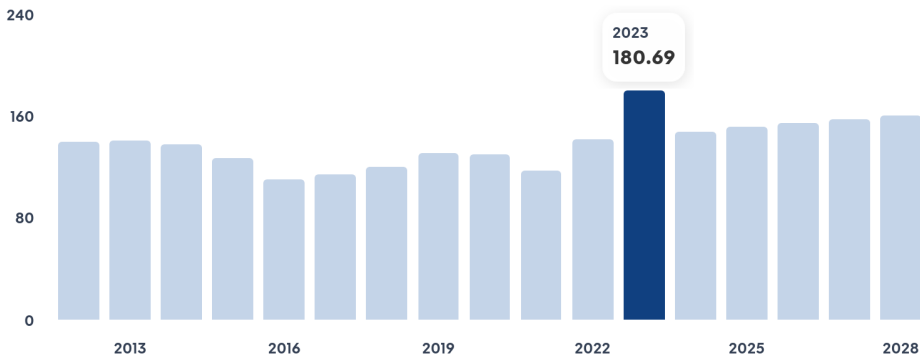


IBISWorld

Source: IBISWorld

An increase in output from production industries boosts demand for freight rails services. The largest component of this index is manufacturing, with increased manufacturing activity resulting in a growing need for freight rail services. The industrial production index is projected to rise in 2023-24, providing an opportunity for revenue growth.

**Fuel prices**  
Pence per litre

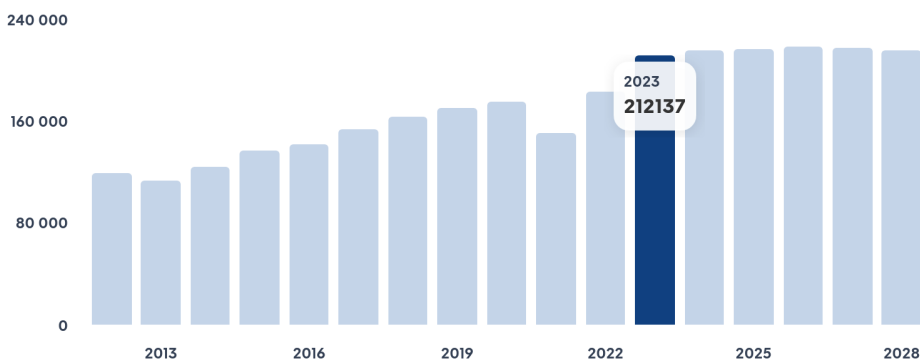


IBISWorld

Source: IBISWorld

Freight rail services often run via diesel, meaning rising fuel prices increase operating costs. However, rail freight is more fuel-efficient than road freight, so fuel price hikes can push many off the road and into freight rail. In 2023-24, fuel prices are expected to decline, however remain significant, following a sizeable speak in the year prior.

**Total value of construction**  
£ million

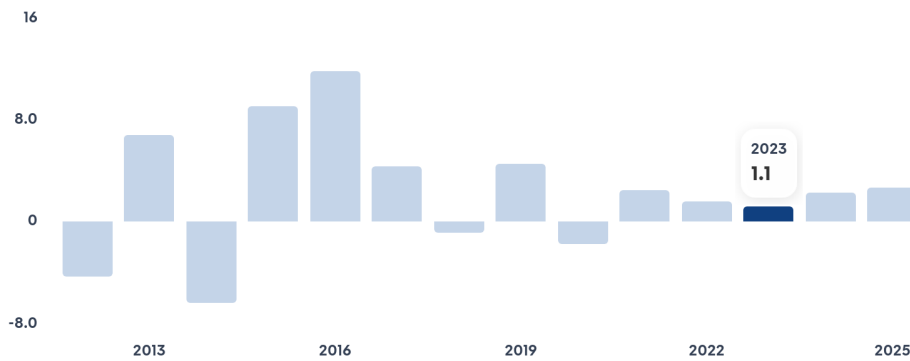


IBISWorld

Source: IBISWorld

Construction accounts for 28.9% of freight rail transport revenue in 2023-24, with this driver acting as a proxy for industry demand. When the value of construction increases, industry demand rises. The total value of construction is projected to grow in 2023-24.

**Demand from electricity production**  
Growth



Source: IBISWorld

Electricity production remains a large market for rail freight services, with coal, oil and biomass transported via freight. Heightened demand for electricity boosts the number of freight transport needed. However, coal and oil's current phasing out of the energy mix has shifted this demand. Demand from electricity production is anticipated to decline in 2023-24.

## Regulation & Policy

High

Increasing

### What regulations impact the industry?

#### **Railway (Licensing of Railway Undertakings) Regulations 2005**

Rail companies must hold a European freight license, a current Safety Certificate and comply with a statement of National Regulatory Provisions issued by the ORR. Most also need a Network Licence, Non-Passenger Licence and a Light Maintenance Depot Licence to provide full and efficient service. Following Brexit, holders of EU-issued licences need to apply to the ORR for the necessary licence to operate in Great Britain.

#### **Non-Road Mobile Machinery Emissions Regulations (NRMM) 1999**

Freight rail transporters must comply with NRMM regulations, following its adoption by the UK before Brexit. These standards are now in line with the US EPA standards and are made up of increasingly stringent tiers known as Stage I–V standards. Though, the early stages did not include railway locomotive engines. Following Brexit, EU legislation is now a part of UK domestic legislation known as 'retained EU legislation'.

## Assistance

Moderate

Decreasing

### What assistance is available to this industry?

#### Mode Shift Revenue Support (MSRS) Scheme

The UK government provides freight grants to intermodal rail movements. The scheme is funded by the DfT and is intended to reduce road congestion and emissions by moving traffic to rail. It supports rail companies with operating costs to increase rail freight demand in comparison to road freight. 95% of MSRS funding is allocated to rail freight; however, recent criticism may shift more funding to water freight transport.

#### Logistics UK

Formerly the Freight Transport Association, Logistics UK represents the views and interests of the entire transport industry, with members representing 90% of freight moved by rail. They focus on unlocking rail capacity, offering contractual flexibility, upholding national network integrity, maintaining corporate independence and incentivising regional growth.

#### Rail Freight Group (RFG)

RFG is a representative body for rail freight in the UK, influencing policy and promoting rail freight, aiding the shift from road to rail freight. RFG also holds networking meetings to allow members to hear about the latest developments in rail freight and to help shape the group's approach to the major issues freight rail companies face.



# Financial Benchmarks

Understand average costs for industry operators and compare financial data against key ratios and financial benchmarks broken down by business size.

# 9. Financial Benchmarks

<https://my.ibisworld.com//uk/en/industry/H49.200/financial-benchmarks>

## Highlights

Profit Margin

**1.5 %**

↑ Higher than sector

Average Wage

**£57,383**

↑ Higher than sector

Largest Cost

**Wages**

37.7% of Revenue

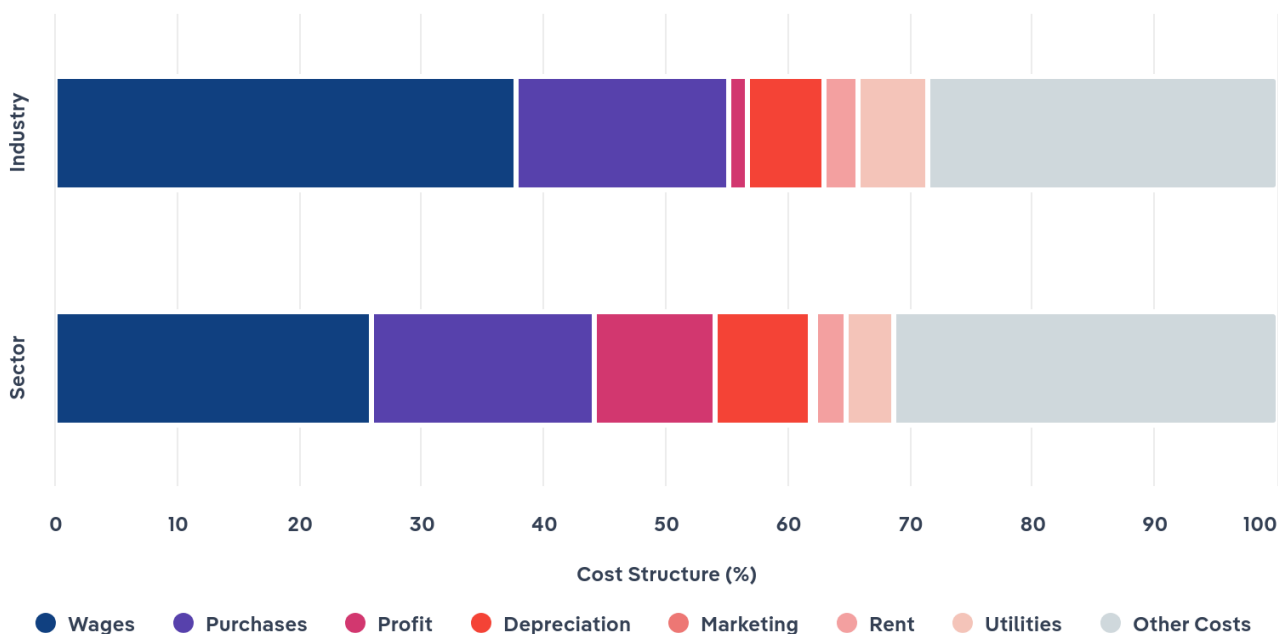
## Key Takeaways

- **The price of fuel influences profit.** However, freight rail companies often charge fuel surcharges to mitigate this. Economic instability and a continued decline in the volume of coal transported limit profitability.
- **Track access charges increase train companies' purchase costs.** Network Rail charges rail companies for use of the national rail network. However, the money from the charges is reinvested in the rail network, supporting freight rail growth.

## Cost Structure

### Cost Structure Benchmarks

Average operating costs by industry and sector as a share (%) of revenue 2024



Source: IBISWorld

Chart displays current year only in the PDF version of this report. You can view and download chart for all other years associated with this industry on my.ibisworld.com.

### What trends impact industry costs?

#### Specialist staff requirements drive high wage influence

- Wage costs for freight rail transport absorb a large proportion of industry revenue, given that a range of specialist staff is required for daily operations.
- The COVID-19 outbreak decimated demand, pushing many freight rail companies into the government's Coronavirus Job Retention Scheme to limit wage cost inflation.
- Labour shortages and trade union strikes have inflated average wages, eroding profitability.

#### Purchase costs vary depending on the freight rail company

- Track access charges from Network Rail and fuel costs influence purchase costs; however, track access charges are charged to operators to reinvest in the rail network, supporting freight rail



growth.

- Freight rail companies are charged different amounts depending on what they transport; charges are lower for intermodal freight than bulk freight, like coal and aggregates.
- The main access charge is the variable usage charge, a track access charge, which accounts for 70% of all access charges paid by freight companies.

### **The industry's profit margin is slashed by inflationary pressures and economic instability**

- The price of fuel influences profitability, though freight rail companies often charge fuel surcharges to mitigate this. Economic instability and a continued decline in the volume of coal transported limit profitability.
- COVID-19 disruption annihilated profit – the industry recorded a loss of 0.8% in 2020-21 as freight demand and business confidence plunged.
- Restructuring costs, including redundancy and lease termination fees, hinder profitability. Growing freight volumes and rail freight demand as the pandemic winded down, prompted a recent recovery in the industry's average profit margin.

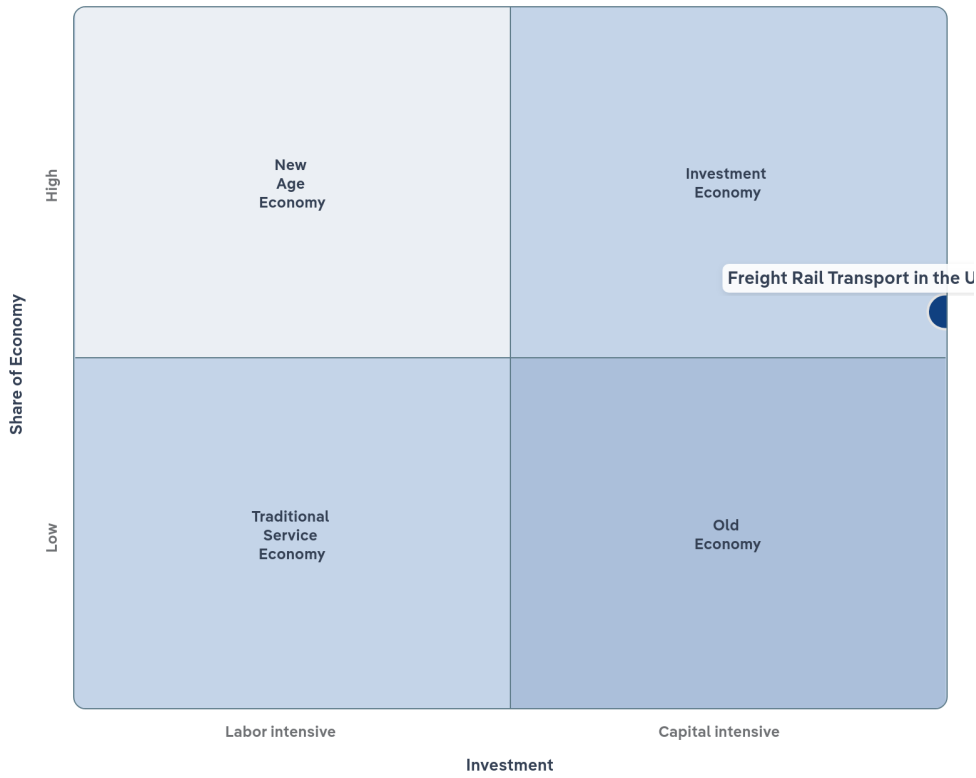
### **Facility upgrades and rental of rolling stock reduce depreciation prominence**

- The industry rents rolling stock and line access in the UK rail sector, so freight rail companies own few assets. However, they construct, upgrade and improve facilities to meet rising demand.
- Freight rail's sustainability targets will increase depreciation's influence on revenue as freight rail companies upgrade locomotives.

### **Other costs primarily involve the industry's reliance on leasing**

- Freight companies active in the industry lease their rolling stock from rolling stock companies (ROSCOs) by private arrangement. They have more flexibility when choosing their vehicles and the routes they serve than passenger rail companies.
- There are three major privatised ROSCOs, as well as government-funded and -controlled entities established to purchase passenger rolling stock for specific passenger lines. Vehicle rental costs are expected to account for approximately 14% of industry revenue in 2023-24.

Share of economy vs. Investment



## Key Ratios

Year	Revenue per Employee (£)	Revenue per Enterprise (£ million)	Employees per Estab. (Units)	Employees per Ent. (Units)	Average Wage (£)	Wages/Revenue (%)	Estab. per Enterprise (Units)	IVA/Revenue (%)
2011-12	208,159	23.1	41.3	110.9	66,296	31.8	2.7	48.2
2012-13	219,924	43.1	39.2	196.0	69,240	31.5	5.0	45.0
2013-14	228,485	44.4	39.4	194.5	69,373	30.4	4.9	42.6
2014-15	207,476	41.4	39.4	199.7	71,175	34.3	5.1	44.7
2015-16	178,450	35.4	40.6	198.1	70,471	39.5	4.9	48.5
2016-17	155,003	30.8	40.2	198.5	70,669	45.6	4.9	51.3
2017-18	188,260	26.5	34.2	140.6	63,676	33.8	4.1	39.9
2018-19	180,769	20.1	30.8	111.0	63,200	35.0	3.6	41.6
2019-20	181,792	17.5	25.6	96.5	62,209	34.2	3.8	40.3
2020-21	151,936	13.1	25.0	86.3	59,151	38.9	3.5	44.0
2021-22	171,532	15.3	25.4	89.2	61,472	35.8	3.5	43.1
2022-23	153,166	13.3	26.3	86.8	58,068	37.9	3.3	45.3
2023-24	152,391	12.5	25.9	82.2	57,383	37.7	3.2	45.4
2024-25	155,384	11.9	25.4	76.4	58,052	37.4	3.0	45.4
2025-26	158,275	11.3	24.8	71.4	58,707	37.1	2.9	45.4
2026-27	160,617	10.7	24.2	66.3	59,228	36.9	2.7	45.6
2027-28	163,272	10.1	23.7	62.1	59,807	36.6	2.6	45.4
2028-29	163,333	9.5	23.2	58.0	59,826	36.6	2.5	45.5
2029-30	163,985	8.9	22.8	54.4	59,975	36.6	2.4	45.4

# Key Statistics

Discover 14 years of historical, current and forward-looking industry performance data in table format.

# 10. Key Statistics

<https://my.ibisworld.com//uk/en/industry/H49.200/key-statistics>

## Industry Data

### Values

Year	Revenue (£ million)	IVA (£ million)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Wages (£ million)
2011-12	1,177	567	137	51	5,654	375
2012-13	1,207	543	140	28	5,489	380
2013-14	1,289	549	143	29	5,640	391
2014-15	1,284	574	157	31	6,191	441
2015-16	1,167	566	161	33	6,538	461
2016-17	1,046	537	168	34	6,749	477
2017-18	1,217	485	189	46	6,467	412
2018-19	1,224	509	220	61	6,773	428
2019-20	1,246	502	268	71	6,854	426
2020-21	1,089	479	287	83	7,165	424
2021-22	1,285	554	295	84	7,489	460
2022-23	1,222	554	304	92	7,981	463
2023-24	1,239	562	314	99	8,133	467
2024-25	1,281	581	325	108	8,246	479
2025-26	1,322	600	337	117	8,350	490
2026-27	1,353	617	348	127	8,425	499
2027-28	1,390	632	360	137	8,514	509
2028-29	1,411	643	372	149	8,640	517
2029-30	1,435	651	384	161	8,752	525

## Annual Change

Year	Revenue %	IVA %	Establishments %	Enterprises %	Employment %	Wages %
2011-12	N/A	N/A	N/A	N/A	N/A	N/A
2012-13	2.6	-4.3	2.2	-45.1	-2.9	1.4
2013-14	6.8	1.1	2.1	3.6	2.8	2.9
2014-15	-0.3	4.6	9.8	6.9	9.8	12.6
2015-16	-9.2	-1.4	2.5	6.5	5.6	4.6
2016-17	-10.3	-5.2	4.3	3.0	3.2	3.5
2017-18	16.4	-9.6	12.5	35.3	-4.2	-13.7
2018-19	0.6	4.9	16.4	32.6	4.7	3.9
2019-20	1.8	-1.3	21.8	16.4	1.2	-0.4
2020-21	-12.6	-4.6	7.1	16.9	4.5	-0.6
2021-22	18.0	15.6	2.8	1.2	4.5	8.6
2022-23	-4.8	0.0	3.1	9.5	6.6	0.7
2023-24	1.4	1.5	3.3	7.6	1.9	0.7
2024-25	3.4	3.4	3.5	9.1	1.4	2.6
2025-26	3.1	3.2	3.7	8.3	1.3	2.4
2026-27	2.4	2.8	3.3	8.5	0.9	1.8
2027-28	2.7	2.4	3.4	7.9	1.1	2.0
2028-29	1.5	1.7	3.3	8.8	1.5	1.5
2029-30	1.7	1.4	3.2	8.1	1.3	1.5

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