Survey Results Part 2:
Food and Drink Sector

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Who have we surveyed?

• 13 interviews have been completed in this sector

<table>
<thead>
<tr>
<th>Type of company</th>
<th>interviewed</th>
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<tbody>
<tr>
<td>Food and drink manufacturers/processors</td>
<td>9</td>
</tr>
<tr>
<td><em>Of which</em>: distribution flows discussed</td>
<td>9</td>
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<tr>
<td>Inbound flows discussed</td>
<td>7</td>
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<tr>
<td>Retailers</td>
<td>4</td>
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<tr>
<td><em>Of which</em>: distribution flows discussed</td>
<td>4</td>
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<tr>
<td>Inbound flows discussed</td>
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Who uses rail and/or water?

<table>
<thead>
<tr>
<th>Type of company</th>
<th>Rail</th>
<th>Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturers/processors</td>
<td></td>
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<td>For distribution flows discussed</td>
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<td>For inbound flows discussed</td>
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<tr>
<td>Retailers</td>
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<td>For distribution flows discussed</td>
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<td>1</td>
</tr>
<tr>
<td>For inbound flows discussed</td>
<td>2</td>
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Some qualifications

- Dependent to some extent on expertise, position and responsibilities of respondents – not all had knowledge of both traffic types
- Some rail and water movements are minor – i.e. small volume, or occasional, or experimental and not necessarily ongoing
- ‘Water’ in some cases includes short sea crossings/ro-ro where the mode is essentially road apart from the short crossing. Little use of coastal shipping or canal has been identified in these sectors
- ‘Rail’ in some cases is not in UK, e.g. might be from Italy to a Channel port, then ship and then road
- Nevertheless, significant use of rail and water have been found, with generally positive views expressed
Attitudes are clearly important

• We have found examples in both manufacturing and retail sectors where little or no use is made of rail, and attitudes are more negative

• But essentially similar companies operating in similar markets in similar circumstances are making rail work well in parts of their supply chains

• Even the negative ones accept that they may eventually consider rail for some reason – e.g. carbon footprint
What use of rail have we found?

- **Manufacturers/processors**
- Use of Anglo-Scottish trunk services, using a variety of operators, to supply either bulk users or for supplies into retail
- Some use of Channel Tunnel services, to bring in ingredients or to supply product to UK distribution centres from European sources. Either trainload or wagonload/intermodal
- Some use of rail on mainland Europe even if rail not used in UK
- Rail is usually only used for a small part of total freight requirements, and in fairly special circumstances
What use of rail have we found?

• *Retailers*
  
  • Use of Anglo-Scottish trunk services, using a variety of operators, to pull supplies in to RDCs and to supply retail stores (especially into Scotland)

  • Use of container services from deep-sea ports to supply inland RDCs

  • Some use of wagonload/intermodal Channel Tunnel services, to bring in products from European mainland
Timescale of rail use

• For most of the companies using rail, the examples we have found are relatively recent developments. No examples of very long-standing rail traffics were found

• This reflects the growing use of rail by this sector on the Anglo-Scottish corridor and its increased use of domestic intermodal services from major ports (not so much the Channel Tunnel)
What use of water have we found?

• Due to global supply chains and the large size of most companies interviewed, extensive use is made of water for import/export movements, as one would expect;
• Intercontinental – bulk shipping for some commodities, more usually lo-lo
• Europe – bulk shipping and ro-ro, lo-lo to an extent
• The Irish market is significant for several companies
• A small amount of coastal shipping found in the bulk food commodities sector
• Some dabbling with estuarian and inland water, e.g. by the retailers, on an experimental basis in very special circumstances
• In some circumstances, rail and water are regarded as complementary (e.g. rail from Italy to Zeebrugge)
• In other circumstances they are regarded as alternatives (e.g. road and ferry vs. Channel Tunnel)
Issues affecting mode choice

- Locational issues
- Service quality issues
- Price issues
- Grant-aid issues
- Responsiveness issues
- Consolidation issues
- 3PL involvement
- Environmental issues
- *Given the nature of the sector, most interest is in rail here*
Locational issues

- Supply chain locations and structures had often changed significantly in recent years (e.g. factory locations, ports used, depot locations, customer locations). More changes are on the way.
- This may impact positively or negatively on the potential for rail.
- Intermodal rail users obviously less concerned about the lack of direct rail access to premises, especially when trunk distances are relatively long.
- Rail access still tends to be quite low down the ‘pecking order’ when location decisions are made.
Service quality issues

• Some views that rail quality is not good enough for some food commodities, in a variety of respects
• But other people were finding ways around these problems
• A general perception that rail service quality (in terms of reliability and punctuality) has improved markedly – even on the continent! (and possibly ascribed to competitive pressures)
• In some cases (e.g. to/from Europe) transit times can be long
Price issues

• Cost implications of using rail were not so important in our examples – the switch to rail was often cost neutral
• If hauliers quote one-way but rail returns empty, then rail loses out
• A view that road haulage prices are likely to increase significantly sooner or later
• The Channel Tunnel option (whilst working better now) is widely regarded as expensive
Responsiveness issues

• The view that the rail freight sector is not very responsive to customer requirements and initiatives take a long time to happen still prevails widely

• Also, some views that rail freight operators do not market to best effect

• Some views that a more competitive rail freight market has been beneficial in these respects – some respondents use more than one operator and believe that competition is advantageous
Grant-aid issues

• Little use of grant-aid schemes was identified in these sectors
• Various barriers seem to remain, e.g.
  • Still a perception of bureaucracy/ long time scales/difficulties in making a strong case
  • Need to make a long-term commitment to rail to qualify – not everyone wants to make such a commitment
• Some respondents look to integrators, forwarders or depot operators to drive any application
Consolidation issues

• Ability to consolidate freight along a route enhances the case for rail
• Some respondents were considering sharing capacity to achieve this, or trying to tie up with others to get two-way loading
• Manufacturers or retailers believe that 3PLs have a role in leveraging such consolidation – should they be taking the lead?
• Alternative business models can help to achieve consolidation e.g. retailer collections, factory gate pricing initiatives, though manufacturers tend to be negative about this
3PL involvement

• Little evidence in the food sector surveys of involvement in rail by the bigger ‘mainstream’ large 3PLs serving manufacturing and retail
• Intermediaries involved in rail use tend to be the ones in the niche – Malcolms, Russells, Potter
Environmental issues

• A clear view that environmental issues (especially carbon) will rise up the agenda

• Rail and water can make a contribution – but often a small one against the bigger picture (e.g. manufacturing and retail footprints)

• Positive PR can be gained from alternative modes

• At present, in most cases, if the financial case doesn’t stack up, then the environmental case won’t swing the decision