

Guide to Mode Shift Revenue Support (MSRS) Scheme



September 2009

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Department for Transport
Great Minster House
76 Marsham Street
London SW1P 4DR
Telephone 020 7944 8300
Website www.dft.gov.uk

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ISBN 978 1 84864 030 6

Printed in Great Britain on paper containing at least 75% recycled fibre.



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1 Introduction

About this guide

- 1.1** This guide outlines the criteria and processes in place for applying for support from the Mode Shift Revenue Support scheme, also known as MSRS. Although information is correct at the time of publication, it is advisable that potential applicants contact the appropriate administrative body for the most up to date information before submitting a formal application for grant.
- 1.2** It should be noted that there is no automatic entitlement to grant support and any offer of grant which may be made remains entirely at the discretion of the appropriate administrative body.

What is MSRS?

- 1.3** MSRS assists companies with the operating costs associated with running rail or inland water freight transport instead of road, where rail or inland waterway transport is more expensive. It is designed to facilitate and support modal shift, generating environmental and wider social benefits from reduced lorry journeys on Britain's roads. The scheme operates in two parts:
 - MSRS (Intermodal) for the purchase of intermodal container movements by rail; and
 - MSRS (Bulk and Waterways) for the purchase of other freight traffic movements by rail and all movements by inland waterway.
- 1.4** MSRS is a direct replacement for both the Rail Environmental benefit Procurement Scheme (REPS) and the Waterborne Freight Grant for inland waterways.
- 1.5** Further details on MSRS (Intermodal) can be found in section 2, MSRS (Bulk and Waterways) in section 3 and how to apply for both schemes in section 4.

Who administers the scheme?

1.6 MSRS is administered by:

- Department for Transport: For flows entirely within England and for cross border flows where the majority of environmental benefits fall in England.
- Scottish Government: For flows entirely within Scotland and for cross border flows where the majority of environmental benefits fall in Scotland.
- Welsh Assembly Government: For rail flows entirely within Wales and for cross border flows where the majority of environmental benefits fall in Wales.

1.7 Contact details for all the above organisations can be found in section 6.

How long will MSRS operate for?

1.8 MSRS has been approved by the European Commission to operate until 31 March 2015. Any offer of grant made will therefore be limited by this date. Individual contracts issued will provide support for a maximum of three years at any one time.

What happens after 31 March 2015?

1.9 Prior to the approval expiring, the scheme will be evaluated to ascertain whether an extension will be pursued. If an extension is pursued, and approved by the European Commission, it is anticipated that the MSRS (Intermodal) maximum rates will reduce.

What other grants are available?

1.10 In addition to MSRS, two other grant schemes are also offered, both designed to facilitate and support the modal shift of freight onto rail and water, thereby generating environmental and wider social benefits. These are:

- Freight Facilities Grant (FFG), which help offset the capital cost of providing rail and water freight handling facilities.
- Waterborne Freight Grant (WFG), which assists companies for up to three years with the operating costs associated with short sea and coastal shipping, where this is more expensive than the road option.

1.11 Specific guidance is available on the websites listed in section 6 for both of the above schemes.

What if I'm interested in applying for a FFG, as well as MSRS?

- 1.12** In principle, applicants can seek grant support through the MSRS scheme, as well as a Freight Facilities Grant. In assessing the application, the administrative body leading on the FFG application will assess the total grant requirement and total environmental benefit of the proposal. It is strongly advisable therefore that those interested in applying for more than one grant first seek advice before submitting an application and where possible submit an application for grant for both schemes at the same time.
- 1.13** In the event that the environmental benefits have already been utilised as part of an application for FFG, grant support through MSRS will not be available. Double counting of environmental benefits is not permitted in any circumstance.

What if I am seeking or have sought other public funding?

- 1.14** It is advisable that you seek advice from the administrative body on how this will affect the assessment of your application in advance of submitting it. Each assessment will be dealt with on a case by case basis depending on the specific details of the proposal.

2 MSRS (Intermodal)

What is MSRS (Intermodal)?

- 2.1** MSRS (Intermodal) is designed to support the movement of intermodal containers by rail in Great Britain. The scheme provides continued support for the sustainable deep-sea, short-sea and domestic intermodal container business that moves by rail. It follows on directly from the Rail Environmental benefit Procurement Scheme that operated from April 2007 until March 2010.

What traffic is eligible?

- 2.2** MSRS (Intermodal) is available to all traffic carried in standard intermodal units (containers, swapbodies or piggyback trailers) on railway infrastructure as defined in the Railways Infrastructure (Access and Management) Regulations 2005, with the exception of Channel Tunnel traffic and those commodities highlighted in Table 2.1.
- 2.3** Examples of services eligible for MSRS (Intermodal) grant are:
- A service conveying deep-sea containers from a port to customers in an inland city.
 - A service conveying supermarket products in containers between two distribution depots within Great Britain.

What traffic is ineligible?

- 2.4** MSRS (Intermodal) is not available for the following traffic types:
- Movement by rail of non-intermodal traffic;
 - Movement of bulk commodities in full or part trainload services where the party has chosen to use an intermodal unit¹; and
 - Any movement of traffic by inland waterways.

¹ The reason for this is the cost of conveying such traffic is usually different to the general costs used in the formation of the MSRS (Intermodal) rates.

- 2.5** The administrative body responsible for the scheme can advise on other types of grant support for traffic which is ineligible for MSRS (Intermodal). In most cases the alternative will be the MSRS (Bulk and Waterways) scheme. Traffic through the Channel Tunnel is not eligible for MSRS (Intermodal).

Table 2.1 Examples of commodities ineligible for MSRS (Intermodal)

Commodity	Examples
Automotive	Finished cars/vans, car parts/panels where flows typically move in clearly defined part or full trainload volumes
Chemicals	Where flows typically move in clearly defined part or full trainload volumes
Conventional wagonload traffic	All commodities
Construction materials	Cement, clay, stone, granite, sand, timber etc
Metals	Coil, bar, aluminium, scrap etc
Minerals	Coal, lime potash, gypsum, rock salt etc.
Paper and paper products	Where flows typically move in clearly defined part or full trainload volumes
Petrochemicals	Where flows typically move in clearly defined part or full trainload volumes
Waste	Industrial, domestic, nuclear etc. Where flows typically move in clearly defined part or full trainload volumes

- 2.6** It is recognised that there will be traffic that does not easily fit into the commodity descriptions highlighted in the table above. In these situations the appropriate administrative body will review the economics of the rail operation and compare it to the economics of the road alternative to determine eligibility.
- 2.7** Ultimately, determination of whether the traffic is eligible for MSRS (Intermodal) is at the appropriate administrative body's discretion.

How does MSRS (Intermodal) work?

- 2.8** The scheme divides Great Britain into 18 zones (see Annex A). Eligible flows attract a maximum grant rate relating to each container moved between two specific zones, whether empty or full. The MSRS (Intermodal) rates are the same for all intermodal units which are 20' or more in size.
- 2.9** Two sets of rates exist under MSRS (Intermodal). These are:
- Port – where units are loaded straight to rail, trunk hauled by rail, and then delivered by road to the final customer. These services share the common characteristic of one road leg. The maximum port rates are presented in Table B1.1 in Annex B.

- Domestic – where units are delivered from a non-port location by road to a rail terminal, trunk hauled by rail, and then delivered by road to the final customer. These services share the common characteristic of two road legs. The maximum domestic rates are presented in Table B1.2 of Annex B.

2.10 In circumstances where there are intermediate stages to the rail journey (e.g. the container is loaded onto rail at a port or terminal and then transferred to another rail service before reaching its final rail destination), eligibility and payment of grant is determined against the actual origin and final destination of the container.

How were these maximum rates calculated?

2.11 The maximum rates are based on the principle that a traffic flow is entitled to support if the environmental benefits justify it and the cost of using rail is greater than the cost of road, highlighting a 'financial need'.

Environmental Benefits

2.12 Environmental benefits measure the effect of removing freight from Britain's roads. Specific values have been identified, known as Mode Shift Benefits, which quantify the value of taking a lorry off different categories of road. The environmental benefits have been adjusted to take into account the environmental costs of the road legs from rail terminals where these occur.

2.13 The environmental benefits between all zones for both Port and Domestic traffic are shown in Annex C. These environmental benefit tables are important for applicants as they are the basis on which value for money calculations are made.

Financial need for grant

2.14 The financial need is the difference between the door to door cost of using road as opposed to rail or water. Where the latter are more expensive, it can be demonstrated that there is a financial need for grant support. MSRS (Intermodal) cannot exceed the financial need of any flow of traffic and grant payments cannot be made in excess of the available environmental benefits, the financial need or the minimum rate to satisfy the value for money criteria (explained below), if one is in operation.

How much grant will I get?

- 2.15** The rates set out in Annex B are the maximum grant rates that can be received between the origin and destination zones of the rail flow. An applicant can apply for a rate below the maximum at their sole discretion. Examples of services and potential rates are shown in Table 2.2.

Table 2.2 Example of services and potential support

Service	Origin	Destination	Type of flow	Max rate per container
A	Thamesport (Zone 18)	Trafford Park (Zone 11)	Port	£21
B	Port of Southampton (Zone 17)	Durham (Zone 6)	Port	£0
C	Daventry (Zone 14)	Mossend (Zone 8)	Domestic	£34

- 2.16** In applying for MSRS, applicants should be aware that applications will be prioritised on the basis of value for money. Those schemes which deliver the greatest value are most likely to succeed. It should also be noted that Administrative Bodies may impose minimum value for money thresholds that may vary over time. It is recommended that applicants seek advice about any such minimum value for money thresholds from the appropriate Administrative Body. Further details on prioritisation are provided in section 4.

Transitional Rates

- 2.17** The increased productivity expectations that underpin the determination of the port rates have in some cases led to a substantive reduction in the level of grant provided through MSRS, when compared to its predecessor REPS. In view of the impact of the recession on those productivity rates, a number of routes have been identified as needing temporary transitional rates that are higher than the full MSRS (Intermodal) rates. Table 2.3 below outlines the routes where transitional rates will apply and the levels that will be available.

Table 2.3 Transitional rates applicable to certain routes

From	To	Initial Rate	Secondary Rate	MSRS
Zone 2	Zone 5	£19.00	£16.00	£11.00
Zone 2	Zone 11	£6.40	£4.00	£0.00
Zone 2	Zone 14	£35.40	£33.00	£29.00
Zone 17	Zone 5	£4.80	£3.00	£0.00

- 2.18** Full guidance on which of the transitional rates will apply, and when, can be obtained from the appropriate administrative body.

Who can apply?

- 2.19** Any company can apply for support if it is acting as the operator or contractor of an eligible rail service. It is a requirement for MSRS (Intermodal) that the support is paid to whoever the contracting parties propose as taking the full financial risk of running the service. We expect that in many cases this would be the freight operating company, although it could be any party in the supply chain who is taking the full demand risk for the service. In such cases, the appropriate administrative body will require a letter from the freight operator confirming their agreement to the arrangement.

What needs to be provided?

- 2.20** Application forms for grant through MSRS (Intermodal) are available on the websites listed in section 6. These will need to be completed, signed and submitted, noting that where bid rounds are in operation deadlines will need to be adhered to.

Additional volume requirements

- 2.21** If successful, a contract will be established between the relevant administrative body and the applicant. This will set out the annual volume cap above which no grant can be paid. Requirements for additional volumes will normally be handled as a new application and as part of a bidding round process if one is in operation. Further details on applying for MSRS can be found in section 4.

Reallocation of volumes

- 2.22** Reallocation of volumes between traffic flows within a contract is permitted in rail period 13. Adjustments can be made here at year-end in retrospect where a limited proportion of a contracted annual volume of a flow can be transferred to another contracted flow.
- 2.23** The purpose of this process is to discourage over-estimation of volumes on all flows, and to simplify the processes around any final bid round in any given year. Applicants should note that the following restrictions will apply:
- transfer of volume must provide the administrative body with the same or better value for money;
 - not more than 5% of an annual volume can be added or taken away from any given flow; and
 - the overall monetary value of the contract cannot be exceeded.

Short term temporary arrangements

- 2.24** There may be occasions where there is a need to make temporary arrangements that cannot be handled in the normal application process. This could include an instance where a railway line or a port was to close on a temporary basis due to an incident, or a key supplier was unable to provide a service meaning that the service was diverted. These will be considered on a case by case basis once the administrative body is made aware of an issue.

3 MSRS (Bulk and Waterways)

What is MSRS (Bulk and Waterways)?

- 3.1** MSRS (Bulk and Waterways) is designed to support the movement of non-containerised freight by rail and all freight on inland waterways where if grant were not provided, the freight in question would move by road. For rail the scheme replaces the REPS Bulk scheme that operated until March 2010. For inland waterways, the scheme replaces the inland waterway elements of the Waterborne Freight Grant.
- 3.2** Unlike MSRS (Intermodal) there are no standard rates applicable. Instead grant is limited by the value of the identified environmental benefits and/or the financial need for grant as demonstrated through a financial appraisal. Each application for support from MSRS (Bulk and Waterways) is assessed on an individual basis.

What traffic is eligible?

Rail

- 3.3** Traffic which moves on railway infrastructure as defined in the Railways Infrastructure (Access and Management) Regulations 2005 is eligible for consideration for MSRS (Bulk and Waterways), other than set out in 3.5 (below).

Inland Waterways

- 3.4** Traffic which moves on inland waterways infrastructure between two ports and wharves which remain wholly within the Smooth Water Line² or at least 50% within it (unless exceptional circumstances). The traffic should not travel further along the coast than one port beyond the Smooth Water Line.

² The Smooth Water Line is established by the Marine and Coastguard Agency and marks the boundary in tidal rivers and estuaries where significant wave height could not be expected to exceed 2 metres at any time – Category D of the Schedule to The Merchant Shipping (Smooth and Partially Smooth Waters) Regulations 1987 as amended by The Merchant Shipping (Categorisation of Waters) Regulations 1992. As this is subject to seasonal variation, the Smooth Water Line for these purposes is taken to be the outer limit of that Category. For estuaries where there are no category D waters, the Category C limit will apply. For information on the categorisation of waters please see www.hmrc.gov.uk/mariners/msn1776.pdf

Further information is available by contacting the relevant administrative body.

What traffic is ineligible?

3.5 MSRS (Bulk and Waterways) will not be paid if the:

- traffic is eligible for MSRS (Intermodal) (applies only to rail traffic);
- starting point or destination is beyond the first available domestic port beyond the Smooth Water Line for the route in question (applies only to waterway traffic);
- best alternative mode of transport is other than by road (e.g. coastal shipping);
- service can be commercially justified without MSRS (Bulk and Waterways) support or would proceed in any event without it;
- use of rail or inland waterways is a planning or other legal requirement on the site from where the freight is to be carried³.

How does MSRS (Bulk and Waterways) work?

3.6 The scheme works on the principle that a traffic flow is entitled to grant support if the environmental benefits justify it and the cost of using rail or inland waterway is greater than the cost of road, highlighting a 'financial need'.

Environmental Benefits

3.7 Environmental benefits measure the effect of removing freight from Britain's roads. Specific values have been identified, known as Mode Shift Benefits, which quantify the value of taking a lorry off different categories of road. In some cases there may also be onward road journeys from the end rail/ water destination. These journeys are classed as disbenefits and will need to be subtracted from the calculated benefits.

How are environmental benefits calculated?

3.8 Applicants use routing software such as Transport Direct⁴ to identify the distances travelled by road. These distances are totalled for each of the 4 Mode Shift Benefit road categories and multiplied by the relevant MSB value. Further details on road categories and their associated Mode Shift Benefit values, along with a worked example are provided in Annex D.

3.9 In occasional cases where the distance by rail or water is significantly different (by more than 25%) to the road distance, separate calculations will

³ If the freight will move by road to or from a different site rather than the one restricted to rail or waterway, MSRS (Bulk and Waterways) can be considered.

⁴ All applications are checked and verified by the relevant administrative body using Transport Direct.

be needed to value each mode. An applicant's environmental benefit calculations will be verified by the administrative body during the assessment period.

Financial need for grant

- 3.10** The financial need is the difference between the door to door cost of using road as opposed to rail or water. Where the latter are more expensive, it can be demonstrated that there is a financial need for grant support. MSRS (Bulk and Waterways) support cannot exceed the financial need of any flow of traffic.

What is a financial appraisal?

- 3.11** A financial appraisal is used to compare the total costs of the rail or water based solution with the total costs of a road based solution. It is an essential part of an MSRS (Bulk and Waterways) application. Evidence to support the costs outlined within it should be presented with the application.
- 3.12** In producing a financial appraisal, an applicant should demonstrate a 'need for grant': in other words, the rail or water option should be demonstrably more expensive than the road option. Where this is the case, grant may be available to make the cost of moving the goods by rail or water equal to the road alternative. All calculations provided are checked and verified by the administrative body. An example and a further explanation of how the financial case is calculated can be found in Annex E.
- 3.13** Capital investment eligible under Freight Facilities Grant (FFG) rules can be included in the financial appraisal up to a value of 1% of the total door to door costs of the rail or water option, up to a maximum of £30,000. In instances where the capital investment required exceeds £30,000, an application for FFG should be made in parallel with the application for MSRS (Bulk and Waterways).

Who can apply?

- 3.14** Any company may apply for MSRS (Bulk and Waterways), although grant is normally payable only to the goods service operator (GSO) of the service in question. It is strongly recommended that the application for support is made by the GSO. Where this doesn't happen, the GSO must be closely involved through the application process.
- 3.15** Due to the time and cost associated with assessing applications, some administrative bodies may stipulate a minimum application value for MSRS (Bulk and Waterways). If you are in any doubt or would like further information please contact the relevant administrative body.

What needs to be provided?

- 3.16** Application forms for grant support are available on the websites listed in section 6. These will need to be completed, signed and submitted, noting that where bid rounds are in operation deadlines will need to be adhered to. In addition to the application, a fully worked up financial appraisal should be provided, as well as details as to the environmental benefits that will be generated as a result of the scheme. Grant can only be provided if we are satisfied that it is in the public interest and that without grant support the freight in question would move by road. To demonstrate this there needs to be a soundly based prediction included in the application of the type and quantity of goods that will be conveyed by rail or water.
- 3.17** Where the freight being moved is third party consignments, it may not be possible to secure a contract from that party and forecasts are likely to be less reliable. In such cases, a view on the robustness and accuracy of the forecast tonnage and the strength of any third party assurances will be taken. This may result in less volume than was applied for being contracted or the application for grant being rejected.

Can I apply for MSRS (Bulk and Waterways) if I am tendering for work?

- 3.18** Applications are welcome from companies who are tendering for a contract and want to include a rail or water option that requires MSRS (Bulk and Waterways) support, however grant will not be offered until the contract has been won. As such an application is speculative; we may decide that it would be more appropriate to allocate funds to other applications that have a greater chance of delivering environmental benefits.

4 Applying for MSRS

Step 1: Develop your proposal

- 4.1** As a first step those interested in MSRS should develop a proposal, identifying amongst other things the traffic to be moved, its origin and destination and a freight operator who will carry the goods.

Step 2: Informal discussions with the administrative body

- 4.2** Once you have the basic proposal outlined, it is advisable that you contact the administrative body to discuss whether it is likely to be eligible for support. Through this initial discussion it may be necessary for a meeting to be held to discuss the proposal in more detail. This can potentially save any unnecessary work by you upfront. It will also enable you to find out about any bid round that may be in operation and any deadlines that will need to be adhered to.

- 4.3** If such a meeting is called, the administrative body will want to know the:

- type of traffic, including volumes and envisaged duration of the flow(s);
- nature of the service (e.g. single or multi-user);
- origin and destination of the traffic including details of the terminals or ports to be used;
- details of any discussions with rail or water freight operating companies, ports and terminal operators; and
- details of how evidence to support a claim for grant will be provided, should the application be successful.

Step 3: Making an application for grant

- 4.4** Application forms for applying for MSRS are available on the websites listed in section 6. Before submitting it, it is advisable that you check whether a bid round process is operation or whether applications are being handled on a first come, first served basis.

Prioritisation of applications

- 4.5** Proposals will be prioritised on the basis of value for money. Those projects which deliver the greatest value are most likely to succeed. Your chances can be improved by applying at a rate below the maximum grant available. Other factors that may be considered include the financial viability and previous record of the applicant, and the deliverability of the traffic volumes contained in the application for grant. For further information on prioritisation please contact the relevant administrative body.

Allocation of funding

- 4.6** A decision on an application for MSRS can be expected within 6 weeks of a fully supported application being submitted. In cases where a bid round is in operation, a decision can be expected within 6 weeks of the closure of the bid round. This timescale may vary in accordance with the detailed application procedures adopted by the respective administrative bodies.
- 4.7** There are likely to be circumstances where the administrative body will award part volumes for a restricted period to ensure that the volumes contained in the original application can be delivered. On other occasions the application for grant may be rejected.

What happens if an application is successful?

- 4.8** If successful, the administrative body you applied to will draw up a contract which you will need to sign and return. Until this happens, no grant will be paid.
- 4.9** Each contract will specify a rate payable for each unit (tonnes, container, vehicle etc) moved. This rate will be the lowest of the following:
- amount applied for by the applicant;
 - assessed financial need;
 - environmental benefits; and
 - minimum value for money criteria of the administrative body.
- 4.10** The terms of the contract will be standard, varying only by the duration, volume and type of traffic on which MSRS will be paid. No payments can be made for traffic in excess of the contracted levels. It is important to note that grant will also not be paid retrospectively, but will be applicable, subject to a signed contract being in place, from a payment period⁵ as outlined by the administrative body on the relevant website listed in section 6. Further details as to how the grant is paid can be found in section 5.

⁵ Payment periods align with the official rail periods as outlined in annex 6, other periods may be permitted for inland waterway traffic at the discretion of the administrative body.

Will the award of grant be made public?

- 4.11** In order to be clear and transparent the administrative bodies will publish the rates, value for money and duration for all awards. In addition, the total amount of contracted MSRS funding for each beneficiary will also be made publicly available.

What happens if an application is unsuccessful?

- 4.12** If an application is unsuccessful, feedback can be provided on request as to the reasons why the application has not resulted in an offer of grant. It may be possible for an applicant to reapply in future, taking recognition of the feedback received.

5 Payment and Monitoring

Payment of Grant

- 5.1** MSRS is paid in arrears (i.e. once the traffic has moved). Claims for grant must be submitted on a standard form as supplied on the websites listed in section 6. This must be supported with evidence (derived from industry recording systems) of the traffic that has moved during the period. For inland waterways schemes please contact the relevant administrative body for details of the auditing arrangements required for submitting claims. All claims should be submitted within the time period as set out in the contract. Failure to submit claims within this time limit may result in a claim being rejected by the administrative body.
- 5.2** Grant payable will be dependant on the number of units (containers, tonnes etc) moved in a period. This will be multiplied by the rate applicable for the flow. Grant will not be paid beyond the maximum volume for each flow as set out in the contract. It is permitted to make applications for additional volume for existing flows contracted through the MSRS scheme. These will be assessed alongside any applications for new traffic flows (and as part of a bid round process if one is operating).
- 5.3** Grant will normally be paid within 20 working days of a complete claim for payment and full supporting documentation being received.

Monitoring

- 5.4** Traffic moved under the MSRS contracts will be closely monitored through the claims submitted. Where traffic levels are lower than the forecasts provided by the grantee at the time of the agreement of the contract (and approved by the administrative body); adjustments may be made in order to release the budget for reallocation. This will ensure the effective control of the budget and maximise the amount of benefit that can be purchased through the scheme. The decision on whether clawback is required will be made following the regular formal contract reviews, as defined in the contract.
- 5.5** Under the terms of the contract that will be in place, the administrative body has powers to clawback volumes if, at the time of each formal review, traffic

volumes fall 5% or more below the approved forecasts. In such a case a review will be undertaken, and the administrative body may, at its discretion, reduce the contracted volumes for the flow concerned by up to 100% of the projected shortfall.

- 5.6** Any such reductions will be made for the grant year in question, and for all future years of the contract. Grantees will be given the opportunity to describe any external factors beyond their control that may have affected the volumes moved, and the administrative body will consider whether these should be taken into account.

Transfer of Business

- 5.7** The market for the movement of freight is competitive and it is possible that the beneficiary of a grant contract may lose some or all of the respective business to a competitor. For example, the volumes for a particular flow covered by an MSRS contract held by a freight operating company might be based wholly or partially on an agreement with a particular customer. For whatever reason this customer might subsequently decide to move its business to a competitor.
- 5.8** The entitlement to MSRS does not automatically transfer in such cases, and the prospective beneficiary must apply for MSRS in the usual way if they wish to secure an offer of grant over the longer term. However, the appropriate administrative body will seek to facilitate smooth transfers where appropriate, and it will consider re-allocations within MSRS on a temporary basis outside of any formal bid round process. This will be undertaken on a case by case basis at the sole discretion of the administrative body.

6 Contacts

England

Freight Grants Team, Department for Transport, Zone 2/16, Great Minster House,
76 Marsham Street, London SW1P 4DR

Tel: 020 7944 6848

Website: www.dft.gov.uk/pgr/freight

www.freightbestpractice.org.uk

Wales

Integrated Transport Division, Department for the Economy and Transport, Welsh
Assembly Government, Cathays Park, Cardiff CF10 3NQ

Tel: 029 2082 6104

Website: www.wales.gov.uk

Scotland

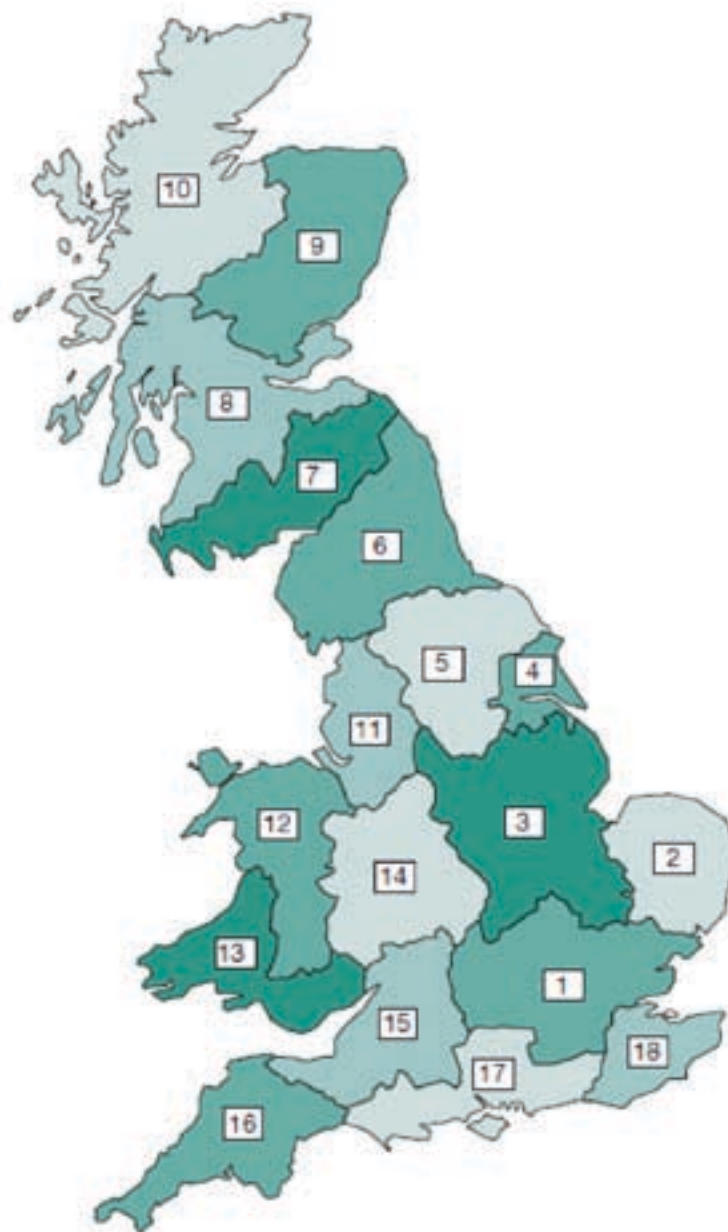
Freight Grants Team, Transport Directorate, Aviation, Ports, Freight and Canals
Division, Scottish Government, Victoria Quay, Edinburgh, EH6 6QQ

Tel: 0131 244 0575/1526

Website: www.scotland.gov.uk

Annex A: MSRS (Intermodal) Zone Map

Figure A1.1 MSRS (Intermodal) Zones



Annex B: MSRS (Intermodal) Grant Rates

Note: special transitional rates apply between zones 2-5, 2-11, 2-14 and 17-11.

Table B1.1 – Maximum port grant rates

Zone	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1		52	45	10	22	0	0	0	0	0	21	73	61	68	63	46	30	11
2	52		68	13	11	0	0	0	0	0	0	43	35	29	21	0	19	64
3	45	68		65	62	78	23	0	0	0	95	87	42	33	68	35	25	64
4	10	13	65		8	46	52	0	0	0	38	61	35	56	56	0	0	11
5	22	11	62	8		27	74	44	0	0	11	34	50	52	53	0	0	28
6	0	0	78	46	27		54	43	0	0	53	35	0	30	2	0	0	0
7	0	0	23	52	74	54		10	55	28	12	34	0	58	0	0	0	0
8	0	0	0	0	44	43	10		72	76	24	38	0	0	0	0	0	0
9	0	0	0	0	0	0	55	72		74	0	0	0	0	0	0	0	0
10	0	0	0	0	0	0	28	76	74		0	0	0	0	0	0	0	0
11	21	0	95	38	11	53	12	24	0	0		14	52	55	44	32	21	21
12	73	43	87	61	34	35	34	38	0	0	14		102	59	64	32	65	60
13	61	35	42	35	50	0	0	0	0	0	52	102		46	1	41	43	75
14	68	29	33	56	52	30	58	0	0	0	55	59	46		16	56	51	57
15	63	21	68	56	53	2	0	0	0	0	44	64	1	16		44	36	43
16	46	0	35	0	0	0	0	0	0	0	32	32	41	56	44		47	54
17	30	19	25	0	0	0	0	0	0	0	21	65	43	51	36	47		53
18	11	64	64	11	28	0	0	0	0	0	21	60	75	57	43	54	53	

Table B1.2 – Maximum domestic grant rates

Zone	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1		51	66	55	60	84	39	33	0	0	80	103	20	37	12	116	8	9
2	51		71	115	115	64	39	0	0	0	124	124	98	108	91	42	98	55
3	66	71		64	60	97	102	41	0	0	95	94	82	31	78	102	71	53
4	55	115	64		5	44	82	65	0	0	35	59	81	54	53	48	93	83
5	60	115	60	5		24	73	78	0	0	8	31	78	50	50	66	89	98
6	84	64	97	44	24		52	88	69	46	51	75	56	74	81	46	47	27
7	39	39	102	82	73	52		6	88	105	9	31	45	64	54	41	24	33
8	33	0	41	65	78	88	6		71	96	20	40	39	34	52	0	18	0
9	0	0	0	0	0	69	88	71		120	0	17	0	0	0	0	0	0
10	0	0	0	0	0	46	105	96	120		14	0	0	0	0	0	0	0
11	80	124	95	35	8	51	9	20	0	14		11	70	53	42	73	104	102
12	103	124	94	59	31	75	31	40	17	0	11		105	57	110	111	122	103
13	20	98	82	81	78	56	45	39	0	0	70	105		44	0	38	43	60
14	37	108	31	54	50	74	64	34	0	0	53	57	44		13	54	74	77
15	12	91	78	53	50	81	54	52	0	0	42	110	0	13		42	28	51
16	116	42	102	48	66	46	41	0	0	0	73	111	38	54	42		100	86
17	8	98	71	93	89	47	24	18	0	0	104	122	43	74	28	100		33
18	9	55	53	83	98	27	33	0	0	0	102	103	60	77	51	86	33	

Annex C: MSRS (Intermodal) Environmental Benefits

Table C1.1 – Maximum port environmental benefits

Zone	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1		52	45	95	104	125	168	179	260	282	109	114	74	69	67	150	30	11
2	52		80	140	124	157	201	207	291	313	143	147	92	116	98	98	104	64
3	45	80		65	62	97	132	146	225	246	95	94	83	33	80	105	79	64
4	95	140	65		8	46	85	96	178	200	38	61	84	56	56	93	97	113
5	104	124	62	8		27	74	81	164	182	11	34	81	52	53	90	96	109
6	125	157	97	46	27		54	107	171	193	53	76	122	94	94	131	129	142
7	168	201	132	85	74	54		10	91	113	12	34	85	68	58	94	129	182
8	179	207	146	96	81	107	10		72	96	24	44	98	81	72	106	136	192
9	260	291	225	178	164	171	91	72		128	107	127	179	159	151	187	221	277
10	282	313	246	200	182	193	113	96	128		129	145	200	180	173	209	243	299
11	109	143	95	38	11	53	12	24	107	129		14	72	55	44	76	111	118
12	114	147	94	61	34	76	34	44	127	145	14		105	59	110	137	126	122
13	74	92	83	84	81	122	85	98	179	200	72	105		46	1	41	43	75
14	69	116	33	56	52	94	68	81	159	180	55	59	46		16	56	80	87
15	67	98	80	56	53	94	58	72	151	173	44	110	1	16		44	36	75
16	150	98	105	93	90	131	94	106	187	209	76	137	41	56	44		97	161
17	30	104	79	97	96	129	129	136	221	243	111	126	43	80	36	97		53
18	11	64	64	113	109	142	182	192	277	299	118	122	75	87	75	161	53	

Table C1.2 – Maximum domestic environmental benefits

Zone	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1		51	66	55	60	84	86	102	175	201	80	103	20	37	12	116	8	9
2	51		71	133	115	148	192	201	283	305	134	138	98	108	91	198	98	55
3	66	71		64	60	97	130	144	222	244	95	94	82	31	78	102	71	53
4	55	133	64		5	44	82	93	176	197	35	59	81	54	53	90	93	102
5	60	115	60	5		24	73	78	162	180	8	31	78	50	50	87	89	98
6	84	148	97	44	24		52	107	169	192	51	75	119	93	91	128	131	131
7	86	192	130	82	73	52		6	88	110	9	31	82	64	54	91	120	174
8	102	201	144	93	78	107	6		71	96	20	40	95	78	69	103	133	185
9	175	283	222	176	162	169	88	71		129	104	124	176	156	148	185	215	267
10	201	305	244	197	180	192	110	96	129		126	142	197	177	170	206	237	287
11	80	134	95	35	8	51	9	20	104	126		11	70	53	42	73	104	103
12	103	138	94	59	31	75	31	40	124	142	11		105	57	110	135	122	108
13	20	98	82	81	78	119	82	95	176	197	70	105		44	-3	38	43	60
14	37	108	31	54	50	93	64	78	156	177	53	57	44		13	54	74	77
15	12	91	78	53	50	91	54	69	148	170	42	110	-3	13		42	28	51
16	116	198	102	90	87	128	91	103	185	206	73	135	38	54	42		112	138
17	8	98	71	93	89	131	120	133	215	237	104	122	43	74	28	112		33
18	9	55	53	102	98	131	174	185	267	287	103	108	60	77	51	138	33	

Annex D: MSRS (Bulk and Waterways) Environmental Benefits

- D.1** The calculation of environmental benefits is an essential part of a MSRS (Bulk and Waterways) application. This annex aims, through a step by step process, to provide guidance as to how this can be achieved. In addition to this annex, it is recommend that applicants read the more detailed information on environmental benefits which is available from each of the administrative bodies listed in section 6.

Step 1: Identifying flow details

- D.2** Applicants as a first step will need to know some basic information before progressing to calculate the environmental benefits. This will include details on the:
- origin and destination of the traffic, preferably by postcode;
 - average payload of the lorries used; and
 - whether there are any backload or lorries returning empty to the origin.

- D.3** Once you have this information to hand, progress to step 2.

Step 2: Understanding Mode Shift Benefit Values

- D.4** The Administering Bodies for MSRS have valued the environmental and social benefits of removing one lorry mile of freight from road and transferring it to rail or water. These are known as Mode Shift Benefit (MSB) values. Table D1.1 outlines these by the 4 identified road categories. These values are used by applicants in calculating the environmental benefits.

Table D1.1 Mode Shift Benefit Values

Road type	Value
Motorways standard	£0.07
Motorways high value	£0.86
A Roads	£0.74
Other Roads	£1.43

D.5 For details of which sections of motorway are high value and the distances between the junctions on these sections, please see table D1.2.

D.6 In cases where the distance by rail or water varies by more than 25% from the road journey, a separate calculation of the environmental benefits of rail or water and road will need to be undertaken. As this is not standard practice, it is strongly recommended that you contact us in advance of starting work on an application to seek advice.

Table D1.2 MSB High values motorways and distances between junctions⁶

M1		J15a	J16	J17
	J15	2.7	6.6	15.2
	J15a		3.9	12.5
	J16			8.6

M1		J29	J30	J31	J32	J33	J34	J35	J35a
	J28	6.8	13.6	19.2	22.5	24.9	27.5	31.4	32.9
	J29		6.8	12.4	15.7	18.0	20.7	24.5	26.1
	J30			5.6	8.9	11.2	13.9	17.8	19.3
	J31				3.3	5.7	8.3	12.2	13.7
	J32					2.4	5.0	8.9	10.4
	J33						2.7	6.5	8.1
	J34							3.9	5.4
	J35								1.5

M3		J10	J11	J12	J13	J14
	J9	1.4	2.7	6.3	8.0	9.1
	J10		1.3	4.8	6.5	7.7
	J11			3.5	5.2	6.4
	J12				1.7	2.9
	J13					1.2

M4		J5	J6	J7
	J4b	2.1	5.8	7.5
	J5		3.7	5.5
	J6			1.7

M4		J32	J33
	J30	5.6	9.0
	J32		3.4

M6		J4a	J5	J6	J7	J8	J9	J10	J10a
	J4	2.7	4.8	8.0	12.4	12.9	15.8	17.3	20.8
	J4a		2.1	5.3	9.7	10.2	13.0	14.5	18.1
	J5			3.2	7.6	8.1	11.0	12.5	16.0
	J6				4.4	4.9	7.8	9.3	12.8
	J7					0.5	3.4	4.8	8.4
	J8						2.9	4.3	7.9
	J9							1.5	5.0
	J10								3.5

M6		J16	J17	J18	J19	J20	J21	J21a
	J15	9.4	15.5	19.3	27.4	32.0	35.1	38.0
	J16		6.1	9.8	18.0	22.6	25.7	28.6
	J17			3.7	11.9	16.5	19.6	22.5
	J18				8.1	12.7	15.8	18.8
	J19					4.6	7.7	10.6
	J20						3.1	6.0
	J21							2.9

6 These values will apply between the junctions stated on the following motorways

M8		J9	J10	J11	J12	J13	J14	J15	J16	J17	J19
	J8	1.2	2.1	3.2	4.5	5.1	5.8	6.5	7.1	7.8	8.5
	J9		0.9	2.0	3.2	3.9	4.5	5.3	5.9	6.6	7.3
	J10			1.1	2.4	3.0	3.7	4.4	5.0	5.7	6.4
	J11				1.2	1.9	2.5	3.3	3.9	4.6	5.3
	J12					0.7	1.3	2.0	2.7	3.3	4.0
	J13						0.6	1.4	2.0	2.7	3.3
	J14							0.7	1.4	2.0	2.7
	J15								0.6	1.3	2.0
	J16									0.7	1.4
	J17										0.7

M25	All
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M42		J4	J5	J6	J7
	J3a	2.1	4.5	8.1	10.4
	J4		2.4	6.0	8.3
	J5			3.6	5.9
	J6				2.3

M60	All
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M62		J19	J20	J21
	J18	3.0	5.2	7.5
	J19		2.2	4.5
	J20			2.2

M62		J27	J28	J29	J30
	J26	4.5	7.5	10.3	12.5
	J27		3.0	5.7	7.0
	J28			2.8	4.0
	J29				2.2

Step 3: Calculating total mileage for each road type

- D.7** To identify the mileage on the categories of road set out in table D1.1, enter your origin and destination details into routing software such as Transport Direct (www.transportdirect.info). This will provide an output of the journey on different road types. Although other routing software can be used, administrative bodies will always verify these distances using Transport Direct.

Step 4: Using MSBs to calculate route value

- D.8** From the information obtained so far, you will know the mileage travelled by each road type (note that slip and link roads are considered to be part of the previous road type even if they have no road category of their own). Step 4 is now multiplying the mileage for each road type by the relevant rate shown in table D1.1. This will give you the value of the route. This same step needs to be undertaken for any onward road journeys, known as disbenefits. It is anticipated that in autumn 2009 this calculation will be automated through Transport Direct.

Step 5: Calculating the number of removed lorry journeys

- D.9** To calculate the number of lorry journeys removed, you will need to divide the annual tonnage to be moved by the average payload of the lorry. This gives the number of one-way lorry trips required. If lorries would return empty, you will need to multiply this figure by 2 to show the return journeys removed. However, if there are backloads which wouldn't be removed by the funding, then these cannot be counted as removed lorry journeys.

Step 6: Calculating the environmental benefit

- D.10** The final step is to calculate the value of the environmental benefits by multiplying the route value, already identified in step 4 by the number of lorry journeys as identified in step 5. This will give you the value of the environmental benefits.

Environmental Benefit Worked Example

Using the above step by step approach the following example aims to show how fictitious company AdminLogistics (AL) calculates its environmental benefits.

Step 1: Identifying flow details

AL is interested in applying for support through MSRS (Bulk and Waterways). The company runs a service between X and Y currently carrying 20,000 tonnes a year. It is expected that this will rise to 40,000 tonnes in year 2 and 50,000 tonnes in year 3. The company has identified that the lorries have a payload of 25 tonnes and for each trip the lorries return empty.

Step 2: Understanding Mode Shift Benefit Values

AL has read and understood the MSB values, how they have been derived and is now ready to calculate the total mileage for each of the identified road types.

Step 3: Calculating total mileage for each road type

Transport Direct (www.transportdirect.info) is used to identify the route the lorry would take and the distances travelled on different roads. This is then summarised into a table.

Step 4: Using MSBs to calculate the route value

Now that the mileage on different road types has been established, AL is able to use the MSBs to calculate the route value. This is then pulled together into a table like the one shown below.

Road type	Mileage	MSB Value	Route Value
Motorways standard	26	£0.07	£1.82
Motorways high value	0	£0.86	£0.00
A Roads	35	£0.74	£25.90
Other Roads	21	£1.43	£30.03
Total	82		£57.75

Step 5: Calculating the number of removed lorry journeys

Using the payload information and tonnage that the company identified through step 1, the number of lorry journeys can be calculated. In this case there are no return journeys.

Step 6: Calculating the environmental benefit

The final step for the company is to calculate the value of the environmental benefits. This is done by multiplying the route value, already identified in step 4 by the number of lorry journeys as identified in step 5. This can then be divided by the tonnage to give a benefit per tonne figure. The information is then pulled together into a table like the one below.

Year	Tonnage	Payload	Lorry Journeys	Route Value	Benefit per tonne
1	20,000	25	800	£57.75	£2.31
2	40,000		1,600		£2.31
3	50,000		2,000		£2.31
Total	110,000		4,400		

The example above shows the environmental benefits are valued at £2.31 per tonne. However, this is not an indication of the level of grant that may be offered, but is the ceiling above which no offer can be made. Other elements of the application will determine the exact amount of grant offered, including the financial appraisal, minimum value for money, prioritisation and budget availability.

In this case the financial need was assessed at £1.50 per tonne for year 1 (see annex E). The applicant could apply for grant at £1.50 per tonne moved. The value for money on that basis would be a benefit/cost ratio (BCR) of 1.54:1 (£2.31 benefit/£1.50 cost).

Annex E: MSRS (Bulk and Waterways) Financial Appraisal

Introduction

- E.11** MSRS (Bulk and Waterways) can only be paid in circumstances where the proposed traffic would not be financially viable by rail or water without a grant. This Annex explains how to calculate the amount of grant that makes rail or water as financially attractive as road. It is a general guide and may not cover the entire issues specific to each scheme.
- E.12** A financial appraisal should include all relevant information on tonnage and costs associated with the project, supported by fully evidenced documentation to substantiate the figures.
- E.13** Information provided should include:
- Tonnage – forecasted for each flow in each year of the appraisal (supported by information/evidence to verify the tonnage levels);
 - Cost of commodity – evidence of the cost of the commodity to be moved under the road and rail/water options⁷;
 - Operating costs for the road and rail/water options⁸ – these should be:
 - expressed in ‘real’ (ie: present day) prices/charges excluding inflation;
 - provided on a year by year basis for not more than 3 years and not beyond 31 March 2015⁹;
 - be consistent with the timeframe used for calculating environmental benefits; and
 - be provided in Sterling¹⁰;

⁷ In most cases the cost will be the same, but in some cases the costs may differ (e.g. where the source of the commodity differs between the road and rail or water options).

⁸ Operating costs can include the leasing costs for capital items. Contact the relevant administrative body for further information.

⁹ In scenarios where the tonnage volumes and cost per tonne of the road and rail or water options are constant over the length of the grant period, it is permissible to use a single period (e.g. one year) model.

¹⁰ Non-Sterling costs should be converted into Sterling using the current exchange rates at the time.

- Any other costs for the road and rail/water options – this could for example be haulage costs (supported by at least two written quotations for each flow), loading and unloading costs, maintenance costs or administration costs.

E.14 In collating the above data, applicants should provide as much supporting evidence as possible to substantiate costs and/or charges outlined. This will include for example road haulage quotations, rail/water handling charges and any haulage charges levied on the owner of the traffic.

E.15 Once the relative costs of the road and rail/water options have been established, the financial need for grant can be calculated. This is carried out by subtracting the cost of the road option from the rail or water option. An example financial appraisal is shown at table E1.1¹¹.

Assessing applications

E.16 On submission of your application, an appraisal will be carried out on the information and evidence supplied. It may be necessary, in order to complete the appraisal, for the administrative body to contact the applicant for further information. On completion, applicants will be informed as to whether an offer of grant will be made; such an offer remains entirely at the discretion of the appropriate administrative body.

¹¹ A copy of the standard spreadsheet can be obtained from the relevant administrative body on request and should be used to support all applications for MSRS (Bulk and Waterways).

Table E1.1 MSRS (Bulk and Waterways) Financial Appraisal												
	YEAR 1				YEAR 2				YEAR 3			
	ROAD		RAIL/WATER		ROAD		RAIL/WATER		ROAD		RAIL/WATER	
	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL
Tonnage		20,000		20,000		40,000		40,000		50,000		50,000
Cost of Commodity	£5.00	£100,000	£5.00	£100,000	£5.00	£200,000	£5.00	£200,000	£5.00	£250,000	£5.00	£250,000
Haulage	£6.50	£130,000	£3.00	£60,000	£6.50	£260,000	£2.50	£100,000	£6.50	£325,000	£2.40	£120,000
Handling	£0.00	£0.00	£1.50	£30,000	£0.00	£0.00	£1.40	£56,000	£0.00	£0.00	£1.40	£70,000
Onward road cost	£0.00	£0.00	£2.00	£40,000	£0.00	£0.00	£2.00	£80,000	£0.00	£0.00	£2.00	£100,000
Other cost 1	£0.00	£0.00	£1.50	£30,000	£0.00	£0.00	£1.50	£60,000	£0.00	£0.00	£1.50	£75,000
Other cost 2	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
TOTAL	£11.50	£230,000	£13.00	£260,000	£11.50	£460,000	£12.40	£496,000	£11.50	£575,000	£12.30	£615,000
	YEAR 1				YEAR 2				YEAR 3			
	PER TONNE		TOTAL		PER TONNE		TOTAL		PER TONNE		TOTAL	
	£1.50		£30,000		£0.90		£36,000		£0.80		£40,000	
	£2.31		£46,200		£2.31		£92,400		£2.31		£115,500	
	£1.50		£30,000		£0.90		£36,000		£0.80		£40,000	

In this case the financial need for grant is lower than the value of the environmental benefits. The financial need is therefore the maximum level at which grant could be applied at. Note that value for money in this case improves over time.