



Llywodraeth Cymru  
Welsh Government

GUIDANCE

# Freight facilities grant: guidance for applicants

Guidance on how to apply for the grant.

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## Rail Freight Facilities Grant in Wales: about this guide

This guide gives key information for applying to the Welsh Government for rail Freight Facilities Grant (FFG) in Wales.

The guide explains:

- who can apply for the grant
- type of schemes that are likely to be eligible
- when grant is likely to be awarded and when not
- how to make a grant application
- the decision process
- how the grant will be paid
- where to find out further information

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# Contact

For further assistance or information please contact:

Rail Projects Team  
Economic Infrastructure  
Welsh Government  
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Cardiff  
CF10 1NQ

Telephone: 0300 0604400

Email: [customerhelp@gov.wales](mailto:customerhelp@gov.wales)

## Freight Facilities Grant (FFG) in Wales

### Introduction

Welsh Government recognises the socio-environmental and sustainability benefits which can be achieved through moving goods by rail instead of road. The Freight Facilities Grant (FFG) is available to assist with the extra costs generally associated with moving freight by rail by offsetting the capital costs of providing rail freight handling facilities. It can also be used to help companies reinvest in existing rail freight facilities.

FFG is available for rail facilities where the freight is:

- currently travelling by road
- new traffic that would otherwise go by road
- moving by rail but would revert to road without further capital expenditure.

Any offer of grant remains at the discretion of the Welsh Government and there is no automatic entitlement to grant support. This guidance sets out the

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procedures that will normally apply.

## **Eligibility:**

Most facilities needed to handle or carry freight by rail are likely to be eligible for FFG but capital expenditure must be involved. Items which are likely to be eligible (but not limited to) include:

- Internal rail sidings
- Handling and loading equipment
- Hardstanding's
- Warehousing
- Cabins
- Fencing
- Lighting
- Security
- CCTV

Grant will normally be paid on the initial purchase of equipment and not on any subsequent replacements within the life of the project.

The amount of grant offered will be based upon the value of the environmental benefits

FFG will normally be available for up to 50% of capital costs

## **Powers to pay**

The Freight Facilities Grant scheme was first introduced in Section 8 of the Railways Act 1974. These provisions were re-enacted with amendments by Section 139 of the Railways Act 1993, then Section 249 of the Transport Act 2000. This has subsequently been replaced by Section 10(4) of the Railways Act 2005.

Environmental benefits are calculated by contrasting the impacts of moving

freight by rail rather than by road. This is calculated by taking the tonnage that is committed to rail over an agreed number of years, and calculating out how many lorry journeys will be removed. Standard rates are then used to calculate the value of the benefits.

Financial Appraisal is calculated by comparing the total costs of the rail based solution with the total costs which would be incurred if the traffic used road transport. FFG can only be given to make the costs of the rail option equal to those of the road alternative. In certain cases, the financial appraisal may include additional analysis, for example where the applicant is not involved in the road option.

The Welsh Government sets an annual budget for rail freight grants in Wales. If there is pressure on funds, schemes will be prioritized on the basis of value for money.

Those schemes which deliver the greatest environmental benefit for the grant provided are most likely to succeed.

## **Where is FFG unlikely to be paid?**

Facilities are unlikely to be eligible for FFG if they are not to be used exclusively for or in connection with the carriage, loading and unloading of freight by rail, for example, Industrial processing equipment, or land purchase. Each case will be considered on its merits.

FFG will not normally be provided where:

- train paths on the rail network are unavailable for the movement of freight;
- the rail freight facility can be justified commercially or would proceed in any case without FFG;
- contracts for construction work or for rail haulage have already been let or construction work has started in respect of the facility which is the subject of the grant application, before grant has been approved;
- the environmental benefits to be gained are insufficient to justify grant; or
- road transport is not possible; for example where a planning condition or

other legal restriction prevents or restricts the use of road. (Welsh Government will, however, be able to consider FFG where the traffic would be moved by road from another location with no restrictions.)

- prior planning permission has not been obtained.
- increases in costs above the estimates on which the grant application was assessed;
- additional capital or operating costs incurred as a result of changes to the proposal after the award of grant;
- establishment charges and overheads during design and construction, legal costs, or costs incurred in obtaining statutory planning approval for any part of the project;
- the applicant's costs incurred in preparing or processing the grant application (including consultants costs), auditing claims for payment of grant or arising from capitalization of interest.

## Applying for FFG

Any company wishing to move freight by rail may apply for FFG but this guidance is only concerned with applications for rail freight facilities in Wales. If the proposed scheme involves 'cross border' traffic between England and/or Scotland and Wales you should contact us for advice and environmental benefits within Wales only will be able to be considered (not those relating to road mileage avoided outside Wales). You will usually only need to make a single application.

## How do I apply for the grant?

To apply for FFG grant funding, the key steps are:

1. Prepare a basic proposal;
2. Contact the Welsh Government for an initial meeting to discuss the broad principles of the scheme.
3. Provide a summary of capital costs and any other information requested, this will include confirmation from Network Rail and a Freight Operating company

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that Network Rail paths are available and the proposed flows can operate as planned

4. Make a formal application to the Welsh Government, if appropriate.

We recommend contacting us directly to discuss the proposal before working up the basics to ensure that it is eligible for assistance.

## **How is other public sector support affected?**

The Welsh Government Rail Projects Team should be made aware of any other grant funding proposed or received in relation to this scheme.

## **How long will it take to process grant applications?**

We will aim to determine the case for grant as soon as possible following receipt of a full application.

## **What happens if my application is unsuccessful?**

If your application is unsuccessful you will be provided with feedback on the reasons why your scheme has not resulted in an offer of grant. You may be able to reapply in future, taking recognition of the feedback received and the Welsh Government's budgetary situation at that time.

## **Can I apply for grant if I am tendering for work?**

You may be tendering for a contract and want to include a rail option for some or all of the work. You can apply for grant in such circumstances but you will not be able to receive any funds until you have won the contract. Grant is assessed on the difference between rail and road costs within the limits of the environmental benefit which arise as a result of lorry traffic being removed from roads. You will therefore need to work up a costed road option to enable a proper rail/road comparison to be made.

The grant assessment timescales may not fit with the tender timetable. In such cases, we may be able to provide an indication of the level of grant which could be payable. Such an indication will be given entirely without prejudice and will not commit the Welsh Government to making a formal offer of grant; a full assessment of the case will still be needed

## Further information

If you are interested in submitting an application, further information to assist you can be found in the annexes to this guidance, including:

- example calculations of environmental benefits
- guidance on the financial appraisal of FFG applications
- guidelines for grant applicants
- detailed guidance on preparing an application

We encourage prospective applicants to contact us directly if they require additional information.

## Mode Shift Revenue Support

The Mode Shift Revenue Support (MSRS) funding assists companies with the operating costs associated with running rail freight transport instead of road (where rail is more expensive than road).

The scheme operates in Wales, Scotland and England, and in two parts:

- MSRS (Intermodal) for the purchase of intermodal container movements by rail.
- MSRS (Bulk) for the purchase of other freight traffic movements by rail

The MSRS grant scheme is currently administered by the Department for Transport (DfT) on an England and Wales basis, with Welsh Government providing a financial contribution for journeys in Wales.



## Annex A: example of calculation of environmental benefits

### Road values

The Welsh Government will value the environmental benefits of grant applications by applying the following rates per lorry mile to road journeys avoided over the qualifying routes:

Motorways (high)	£1.44*
Motorways (standard)	£0.00*
A-Roads	£1.05*
Other roads	£3.18*

\*DfT MSRS user guide 2020

Please note that:

- non-public roads, such as those providing access to a power station or industrial complex, are excluded from the calculation of environmental benefits;
- there may be some roads which do not fall easily into the above categories. Welsh Government will consider each case on its merits.

## Route valuation

The road routes specified in the application are verified by using Ordnance Survey maps and/or route planner websites and measurements are recorded for each of the four categories of public road listed above.

The mileage for each category is then multiplied by the appropriate road value, producing the route valuation. Benefits per year are obtained by multiplying the number of lorry trips by the route valuation.

Road improvements may reduce the route valuation during the life of the project and where appropriate this needs to be taken into account in the calculation.

This has been applied in the worked example below, in which a rural dual carriageway is planned to open in Year 5.

## Lorry trips

Lorry trips are calculated by dividing the annual tonnage by the average payload of the lorries which would otherwise be used; this gives the number of loaded trips. However, lorries would have to return either empty or with a backload. If the lorry were to return empty or with a backload associated with the project, the total number of lorry trips would be loaded journeys multiplied by two. If there were backloads which were not associated with the project (i.e. lorry journeys would continue to happen), the total lorry trips would be correspondingly lower.

## Additional data

Lorry trips = tonnage divided by average payload.

In this example lorries are assumed to return empty (i.e. no backloads), therefore total lorry trips = loaded lorry multiplied by 2.

Tonnage per annum: 40,000 rising to 120,000

Average payload: 20 tonnes

Lorry trips:

- 40,000
- 20 x 2 = 4,000; 120,000
- 20 x 2 = 12,000

## FFG calculation

Capital cost of project: £1 million

The stream of future environmental benefits is calculated on a discounted basis so that it is expressed in the same way as costs. A 3.5% discount rate is used to derive the grant potential for any given period.

Year	tonnage	Total lorry trips	Route valuation £	Benefits £	Discount factor	Grant potential (discounted benefits)
0	-	-	-	-	1.000	-
1	40,000	4,000	41.10	164,400	0.966	158,810
2	60,000	6,000	41.10	246,600	0.934	230,324
3	75,000	7,500	41.10	308,250	0.902	278,041
4	100,000	10,000	41.10	411,000	0.871	357,981
5	120,000	12,000	41.10	493,200	0.842	415,274
6	120,000	12,000	41.10	493,200	0.814	401,465

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7	120,000	12,000	41.10	493,200	0.786	387,655
8	120,000	12,000	41.10	493,200	0.759	374,339
9	120,000	12,000	41.10	493,200	0.734	362,009
10	120,000	12,000	41.10	493,200	0.709	349,679

## Maximum grant potential

For the worked example, compared to a capital cost of £1 million, the total environmental benefits are:-

- over 5 years: £1,440,430
- over 10 years: £3,315,577

Over 10 years this might support a 50% grant (£500,000).

Over 5 years, the benefits fall just short of the minimum BCR of 1.5:1.

In this instance the grant rate would be reduced below 50%.

## Annex B: guide to the financial appraisal of FFG applications

### Introduction

Compared with the road alternative, the proposed rail scheme should not be financially justified without grant. This guide explains how to calculate the amount of grant that makes rail as financially attractive as road.

This is a general guide and may not cover the full range of issues specific to a

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project. The Welsh Government will offer help and advice to applicants.

The financial case should normally be presented as a discounted cash flow analysis. This should include a year-by-year breakdown of the capital and operating costs incurred under the rail project and road alternative.

FFG appraisals should be concluded over the expected length of commitment to rail. All cash flows should be expressed in current day prices to exclude the effects of general price inflation.

It is the applicant's responsibility to prepare the financial case. The following sections describe the supporting information that may be needed and give an example of a typical financial appraisal.

## **Relevant information**

The financial appraisal should include all relevant information on tonnages, costs and revenues associated with the project, supported by appropriate documentation. This will usually include the forecast tonnage for each flow in each year of the appraisal, capital costs and any other costs including handling and admin. Rail haulage costs and track access charges may also be requested and other information including new and existing employment opportunities, benefits to other businesses and use of local service providers.

## **Annex C: Freight Facilities Grant guidance on preparing an application**

### **Submitting a formal application**

Formal applications should be submitted on application form provided by Welsh Government and must be signed by a director or responsible senior manager authorised by the applicant. Supporting information under the following headings should also be supplied.

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## Background information

A short description of the business and its history, whether it is part of a conglomerate or group, details of its particular activity or product, whether it regularly uses rail, and its own market position. The Welsh Government would find it helpful to have any of the business literature covering these points.

In order to assist the Welsh Government in its appraisal of the project, the applicant should provide copies of the last three years' audited Annual Accounts of the Business and/or the Group, together with a Business Plan showing how the proposed facility fits in with the applicants overall business strategy together with assessments of future cash flow. The Welsh Government will need to be assured that the applicant has access to sufficient funds for its own financial share of the project. In the absence of such accounts, for example where the applicant is newly trading the Welsh Government would wish to see a satisfactory business plan and evidence of support from a Bank or Financial Institution.

## The proposed project

The Welsh Government will require a full description of the project; to include the existing operation (if appropriate), the nature and annual quantities of goods to be carried, including their origin and destination, any special features, the duration of the traffic commitment and the level of grant sought.

It would be helpful to have a description of how the rail requirements might differ from a road operation and the facilities which would have to be provided for this option. The applicant should include a programme showing when the work is likely to commence and be completed, and any significant stages in between. If only part of the facilities qualifies for grant, for example because they service both road and rail transport, the Welsh Government will wish to know on what basis expenditure has been apportioned or may itself make such an apportionment.

## Statutory planning and other requirements

If planning permission is required for the project, the Welsh Government will need to know exactly what stage has been reached in the procedure and, eventually, to receive a copy of any consents issued. The Welsh Government will also require details of any other planning issues affecting, or likely to affect, the project and the associated traffic flows. If there is a restriction requiring the use of rail from the site in question, grant will not normally be paid. However, the Welsh Government may be prepared to consider

situations where, without grant, the applicant would move by road to or from a different site rather than use the one covered by the “rail only” condition. The Welsh Government may be prepared to process an application for grant in parallel with planning procedures to avoid unnecessary delay and to enable a decision on the grant to be made soon after such planning permissions are granted.

## The road route

Applicants must be able to specify the road alternative to the proposed rail scheme. To calculate the environmental benefits of the scheme the Welsh Government will need a clear idea of the road route taken by the lorry traffic or the route which would be used if the traffic reverted to road. As much information as possible should be provided, including the precise origin and destination of the traffic. If possible these should be indicated on a map.

The Welsh Government will calculate the route mileage using up-to-date Ordnance Survey maps and the AA route planner. The applicant will be informed of precisely how many miles can be counted for the purposes of the scheme. The Welsh Government will also take into consideration any planned improvements or changes on the route during the life of the project as these might have a bearing on the mileage concerned.

In calculating the grant potential the Welsh Government will discount the stream of future environmental benefits so that they are treated the same way as costs.

It is assumed that in most cases the benefits will not be delivered until the first year following investment.

## **The capital expenditure**

The applicant should provide as precise a description as possible of the eligible items or eligible work as well as an assessment of the cost of these, preferably at a recent common date. It is expected that contracts for works and facilities will normally be let by competitive tender and that, unless there is some exceptional reason, the lowest should be accepted.

Any supporting information, for example, estimates for the work or equipment involved, names of contractors invited to tender for the civil and mechanical engineering works, should be included with the application. Any forecast credits should also be described, as well as the disposal of any surplus assets, as the value of these should be off-set against the costs. If contingency allowances are included, they should be shown separately as they will not normally attract grant. Details should also be provided about any aspect of the work undertaken by a consultant, the likely use of the business's own staff on the project and any in-house design or civil engineering work.

It is essential that contracts to undertake the work should not have been let or work undertaken in advance of an award of grant as this implies that the business is able to go ahead with the project irrespective of any grant. Projects which have already been started or committed will not normally be accepted for grant.

## **The life of the project**

The Welsh Government will offer grant in the expectation that specific environmental benefits will be obtained. An assurance is, therefore, required that the traffic concerned will materialise and will be retained on rail for the agreed period of time.

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## Support

If the applicant is the producer or originator of the traffic, the Welsh Government will require evidence that agreement has been reached for haulage with a rail operator to carry the traffic for the life of the project. If the applicant is a rail operator, the Welsh Government will require evidence from the producer or originator of a commitment to consign goods by rail, and evidence that a rail access agreement has been reached with the track owner which in the majority of cases will be Network Rail.

For all projects, the Welsh Government will need evidence from the relevant customer(s) of a commitment to consign goods by rail and evidence of a rail access agreement between the relevant operator(s) and the track owner.

## Financial presentation

In addition to the environmental assessment of the case, the Welsh Government will require the applicant to put forward a financial case for grant, with appropriate supporting evidence. The applicant will usually be expected to demonstrate that, compared with the road alternative, the proposed project could not be financially justified without grant

The financial appraisal will normally be based on a discounted cash-flow presentation. This should include a year-by-year breakdown of both capital and operating costs compared with those that would have been incurred under a road alternative. The appraisal period will be the intended operating life of the project over which the traffic is committed.

In assessing the case for Freight Facilities Grant (FFG), the Welsh Government may engage a Consultant, under a duty of confidentiality, to review aspects of the application.

As part of the review process the Welsh Government official (and /or consultant) may visit all sites at which works are proposed, taking photographs and measurements where appropriate. The proposals will be discussed with staff

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most closely involved in the development, logistics, engineering, cost and management of the project.

## **Monitoring rail freight traffic flows after the facility becomes operational**

Monitoring of rail traffic movements will begin when the facility becomes operational. This will normally be at six monthly intervals. The applicant will be asked to provide tonnages moved and these will need to be verified by the freight operating company moving the traffic.

## **Grant claims and repayment or clawback of grant**

Grant claims would need to include copies all of invoices and other relevant expenditure documentation. If the rail traffic tonnage levels do not meet the committed levels agreed in the grant offer letter The Welsh Government will seek repayment of the grant.

## **Other grant schemes**

Some projects may be eligible for grant under other grant schemes. The applicant should give details of any other grants that have been received, have been applied for or that it is intended to apply for.

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