The Co-operative Group (TCG) is the UK’s largest consumer Co-operative. Trading principally in the convenience sector it operates 2,800 stores across the UK, of which over 400 are located in Scotland. These are located across the nation from Kirkcudbright in the south to Brae, Shetland, in the north and from Peterhead in the east to Castlebay on Barra in the west. Co-operative Group stores serve some of the most isolated communities in Scotland.

The Co-operative Group also manages distribution for other co-operative enterprises in Scotland, from the 191 food stores of Edinburgh-based Scotmid to individual community-run stores as far flung as Eriskay, Papa Westray and Ollaberry in Shetland. In total over 600 stores in Scotland are supplied by The Co-operative Group.

To supply this network of stores TCG operates its own logistics and distribution function. A National Distribution Centre (NDC) is based in Coventry; from here slower-moving stock is moved to Regional Distribution Centres (RDCs) across the UK where chilled and fresh product is stored. Stock from RDCs is then delivered out to the store network; sometimes use of a cross-dock facility is used to manage deliveries to the more remote areas of the UK. TCG supplies stores in Scotland and Northern Ireland from its RDC in Newhouse, North Lanarkshire, with additional cross-dock facilities at Inverness.

This task is one that no other food retailer in Scotland faces.

- 608 stores serviced
- 5,500 deliveries per week
- 1,100 tonnes of goods outbound in transit at any one time
- 90 rigid vehicles, 100 tractor units and 170 trailers meaning that 360 pieces of equipment are in transit across Scotland at any one time
- 11 different ferry routes used per week, transporting 124 lorry-loads of stock

This is a true multi-modal operation. In addition to the fleet of lorries which delivers stock out to stores from Newhouse we also utilise rail and ferries. Since 2010 we have also been utilising rail to freight stock up from the Coventry NDC to Newhouse. Ferry crossings are critical to enable us to supply our nineteen island stores (we no longer regard our three stores on Skye as island stores as they can now be supplied via road) and the six island-based community shops. We have also chartered planes in the past to airlift essential supplies to stores when severe weather has resulted in ferry cancellations.

We are therefore pleased to be granted the opportunity to respond to the Infrastructure and Capital Investment Committee’s call for evidence on the challenges we have encountered in our freight transport operations. We have broken these down into the key issues affecting rail, road and sea freight.

---

Rail: Due to the size and geographical spread of the estate serviced by The Co-operative Group there are some big distances to cover. The key issue for us is to identify the most effective and efficient means of transporting stock across Scotland. Since 2010 we have worked in partnership with WH Malcolm of Renfrewshire to bulk deliver freight from Coventry to Newhouse via their Daventry and Mossend rail facilities. Rail freight is now used for around 25% of our Coventry to Scotland volume, removing the need for 520 HGV journeys of 604 miles each per year. This saves 335,000 road miles and 312 tonnes of CO\textsubscript{2}e per year. Over 10,000 tonnes of freight has been moved off the road network. We have reduced wear-and-tear on the road network and we have reduced our carbon emissions and we have achieved this in a way which has proved to be good value for money for our business.

We believe that there is scope to further extend the use of rail. Greater availability of weekend services, particularly on Saturday evenings, would allow us to shift yet more of our Coventry to Newhouse volume off roads and onto rail. At weekends we are forced to move volume up to Grangemouth instead and then transfer to Newhouse; this, however, poses its own set of problems due to lack of necessary work on the A6801 (see below). We appreciate that this is a matter which requires discussion with both the British and Scottish governments. The fact that two sets of conversations have to take place is a frustration – a more joined up process for discussion of cross-border transport issues would simplify matters. We have never had a clear answer from Network Rail, for example, on how their governance supports UK-wide freight development when transport is devolved.

We would be keen to develop a viable business case for trunking by rail purely within Scotland. At present some 8% of our volume out of Newhouse is freighted by road to Inverness before being despatched onward to stores. We would be very keen to explore whether rail freight could be used to transfer stock between Newhouse and Inverness, thereby relieving pressure on the A9. It has been reported that Tesco’s use of a daily freight train to Inverness removed the need for twenty HGVs\textsuperscript{2}. It is important to note that our shift to rail freight in the first instance was only possible due to the availability of Mode Shift Revenue Support grants. These are claimed by our rail partner, WH Malcolm, but have made it economical for us to shift volume away from road haulage. Our approaches to the Scottish Government about the availability of mode-shift support grants have not had particularly positive results.

In the longer term investment in the fabric of the Highland Main Line will be needed. Two thirds of the line between Perth and Inverness is still single track and there is limited capacity for greatly increased volumes of freight (or passengers). Moreover, the Highlands Main Line is only ‘gauge-cleared’ up to 8’6”. This means that some of the bridges and tunnels on the route do not have the ‘loading gauge clearance’ necessary to cope with larger freight containers of up to 9’6” unlike the West Coast and East Coast Main Lines and the major rail termini in the Central Belt. We believe that substantial investment in upgrading this line is necessary. While we support the decision to upgrade the A9 we note that Rail Freight Group has claimed that greater benefits would have accrued had Scottish Government money been spent on upgrading the Highland Main Line rather than on the A9 improvements. The Rail

\textsuperscript{2} http://www.bbc.co.uk/news/uk-scotland-highlands-islands-23470170
Freight Group have pointed out a disparity in that fully dualling the A9 carries a price tag of £3bn, whereas the maximum investment on rail improvements remains capped at £600,000³.

One final piece of investment we would like to see discussed is development of freight transport via the Glasgow South Western Line. The Co-operative Food supplies its entire network of 31 stores and one depot in Northern Ireland from Newhouse via ferries from Cairnryan to Belfast and Larne. On average we have 2,300 roll-cages (around 316 tonnes of stock) being transported on this journey by 33 45-foot lorries every week. The road route down to Cairnryan is around one hundred miles. If the rail route were more suitable for freight, either by redeveloping the former Stockton haulage depot in Stranraer or reinstating the old Cairnryan Military Railway as a slow-speed freight-only route under the Light Railways Act – we would look into rail trunking. However we appreciate that this is likely to be a long-term and expensive aim and we believe that greater benefits could be achieved at less cost and in less time from investing in the Highland Main Line to Inverness.

**Road:** As stated above we support the decision to fully dual the A9. Not only is this road a vital link to the rural communities we support along the route but we also use it to transport bulk freight from our Newhouse RDC to our cross-dock facility in Inverness and onwards to Skye, Lewis, Uist and Orkney. This is the principal route to the Highlands and so it is concerning that it cannot be kept operational year-round. Accidents can close the road and snow closed the route as recently as December 2014⁴. The Drumochter Pass is a frequent pinch-point. We hope that dualling the A9 will reduce the likelihood of incidents closing the route in future. We also believe that it is imperative that additional work is done to weather-proof the A9 through the Cairngorms National Park while this project is taking place.

Dualling the road will have the benefit of increasing the speed limit for goods vehicles of over 7.5 tonnes from 40mph to 50mph. We are very keen to see the results of the interim pilot speed increase from 40 to 50mph on the section of the A9 between Perth and Inverness. If successful we would hope to see early discussions as to whether the increase in the speed limit on single carriage ways for goods vehicles over 7.5 tonnes could be rolled out across Scotland. The speed limit for goods vehicles of this type will increase to 50mph on single carriageways and to 60mph on dual carriageways in England and Wales in April. The effect of this is that the speed limit will decrease when HGVs cross the border on the A1 at Berwick, the A68 at Carter Bar and the A7 at Canonbie. We use the A1 crossing extensively, both for supplying English stores in the Berwick area from Newhouse and also for trunking stock into and out of our Birtley RDC, though we only tend to use the A7 and A68 cross-border routes in the event of road closures. If this change in the speed limit were replicated in Scotland, where safe and sensible, it would help to improve the flow of traffic. We would suggest that re-examining the speed limit for goods vehicles on single carriageways should be a greater priority than that on dual carriageways. This is because overtaking dual of slow-moving lorries by faster-moving traffic on dual carriageways is possible and is usually safer than on single lane roads. Goods vehicles are therefore less likely to be an impediment to traffic.

flows on dual carriageways. Furthermore, from our viewpoint, the average time taken to complete a journey will reduce more significantly as a result of any increase from 40mph to 50mph than from 50mph to 60mph because, following trials, our fleet of lorries is fitted with limiters to restrict their speed to a maximum of 52mph in order to maximise fuel economy.

In terms of new capital investment in road infrastructure the biggest necessary improvement we can suggest is the much-needed Avon Gorge fly-over bridge on the A801. The A801 is a key link between the M8 and M9. However, the two mile section in the Avon Gorge cannot be used by HGVs. Because of this longer and more time-consuming detours are required. For example, at weekends we have to transfer freight from the Grangemouth railhead to the Newhouse RDC. Via the A801 the journey to Newhouse is 23.5 miles and can be expected to take around 30 minutes. The alternative route via the M80 and M73 is over 30 miles and adds on around fifteen extra minutes. While an extra seven miles is not particularly noteworthy for a single journey, when this is multiplied by six journeys per weekend this adds up to an extra 2,184 road miles and an extra 3.5 tonnes of CO$_2$e annually. This additional mileage also affects daily deliveries into approximately ten stores in the Grangemouth and Falkirk area. We understand that at least one of our larger competitors has to transport their much greater volumes from Grangemouth to Bathgate via Newbridge because they are unable to use the A801 direct route. The A801 Avon Gorge bridge has been identified as a strategic project in NPF2 and the bridge has been granted planning permission. However, neither Falkirk nor West Lothian Councils has the cash to proceed; it is therefore extremely unlikely that the problem of this ‘missing link’ will be solved without Scottish Government investment.

Our concerns about blockages on the A9 at Drumochter also exist around the A83 at Rest and be Thankful. There has been a string of landslides in this area in recent years: seven in the five years 2008-2013$^5$. With the road closed here we are severely hampered in efforts to supply our stores down through Argyll to Campbeltown as well as those on the Isle of Bute (which we reach via the Colintraive-Rhubodach ferry). There has been investment in preventative work here and issues have not recurred since 2013. However, we would encourage Transport Scotland to continue to treat the area as one which needs particular attention.

Sea: We use ferries extensively, both to support island stores off the north and west coasts and also to transfer stock from Newhouse to our Carrickfergus depot in Northern Ireland via Cairnryan. Our longest ferry journey is Aberdeen to Lerwick (225 miles); our shortest is the aforementioned Colintraive to Rhubodach (400 yards). We are therefore acutely aware of the often-tenuous nature of these sea links, particularly during winter bad weather. Cancelled sailings lead directly to loss of profit as stock spoils at the quayside rather than being available for purchase. This is an extra cost to supporting island communities and one which we are determined to not pass on to those customers.

The most obvious area for savings in relation to ferry crossings is hence from fares. The Road Equivalent Tariff has offset some ferry route costs to promote trade to the west coast islands. However, where it has been applied, RET in general favours

passengers, cars, small commercial vehicles and coaches over larger commercial vehicles. We would argue that the supply of groceries to the stores that support those communities acts as a lifeline service. This is especially the case where we are providing the service for community-owned enterprises such as the Uig Community Shop on the Isle of Lewis or the Eriskay Community Co-op (Chomunn Eirisgeidh). We would therefore be keen to see extension of RET to commercial vehicles to offset the extra costs accruing from supplying islands with groceries.

The Scottish Government has been quite clear RET will only be phased in over a longer timeframe for the Northern Isles to manage the increase in fares that will result. We currently use the long route from Aberdeen to supply Shetland and the Gills Bay – St Margaret’s Hope Short Sea Crossing for Orkney. Greater clarity on what sort of timescales and what sort of fare increases are under consideration would be gratefully received so that we can plan to mitigate the financial risks involved.

15 January 2015