Interest in freight transport from the Committee is welcomed. DHC often becomes involved in the planning of freight transport as part of consultancy projects supporting development projects and infrastructure investment. Based on this work our observations are as follows.

UK logistics has changed considerably in recent years with globalisation, centralisation, outsourcing, and new retail channels demanding more flexible responsive deliveries and driving the overall pace of change. Looking forward, the big trends relate to the unstable costs of energy, carbon reduction commitments, lower emissions, more local manufacturing, and omni-channel retailing.

Highly optimised logistics is essential for competitiveness within the wider economy. The freight transport industry is highly optimised but operates at low margins delivering high added value services. The consequences of inefficient freight transport are therefore much greater outside the freight transport industry in the wider economy that depends on efficient freight movement. Many logistics providers have diversified their operations to include more of the high added value services such as packaging, bottling, food processing, human resources and other services related to product supply chains.

Traditionally logistics has favoured ‘cost’ over ‘service’ and the providers who were able to offer the lowest cost became more dominant. However this is changing and in the emerging markets future success will depend as much on higher standards, consistency, and adaptability of service, as it will depend on cost. In this new environment increasingly flexible supply chains will be needed demands not just new business models and ways of working but new skills for staff across the industry. One of the greatest challenges is recruiting and training these new staff to help bridge skills and job gaps.

Therefore taking account of the above key issues, in response to the specific questions asked by the committee responses are as follows.

1. Can you identify the main infrastructure and policy obstacles to the free flow of freight in Scotland, whether carried by rail, road, air or sea?

The main obstacle to efficient freight movement is the lack of support for vertical and horizontal integration of supply chains. Better support for vertical integration would help freight providers to work with the manufacturing, retail and other companies who buy freight transport services. Horizontal integration would encourage more load sharing between operators to make the most efficient use of road and rail networks.
2. How can Scotland’s rail, road, air and sea freight routes to the rest of the UK, to Europe and worldwide be improved?

There is a lack of transhipment hubs at key locations with a need for collection and distribution points where all operators can connect. Across much of Europe the public authorities have identified and protected land for these hubs and a similar approach is needed in Scotland.

3. How can the Scottish Government structure its freight grant schemes to support the switch of freight to more sustainable modes of transport?

Greater clarity on what is meant by sustainable modes of transport would be helpful. Financial sustainability has undermined many plans to reduce carbon emissions and the freight grant schemes need to be restructured to enable investment in the initiatives that will reduce carbon emissions. For example if a rail operator wanted to replace its locomotives with hybrid electric units then it is not easy to identify how they would achieve this. Something more akin to the bus investment fund is needed for freight.

4. Are there are any European Union initiatives which could provide further opportunities for Scottish freight transport?

There are many European programmes through which funds could be accessed. Most funding applications, including on the TEN-T network require effective partnerships between transport authorities and the freight industry. These partnerships need to be strengthened.

5. How can the freight industry make a contribution to greenhouse gas emissions reduction?

Effective freight quality partnerships are needed nationally and with each transport authority in Scotland. Operators able to access funding through these partnerships to deliver environmental goals will be keen to do so. Carbon in warehouses is in the traded sector whilst in vehicles is not traded so there are often perverse policy incentives at present.

6. Which policy changes, or infrastructure improvements, are required to increase the flow of goods through Scotland’s major sea ports?

When the policy on transhipment hubs is clear across Scotland, including the role of ports, for international freight, then the role of each port will be clearer. Uncertainty about policy changes is particularly unhelpful. Securing the Rosyth to Zeebrugge route was very welcome but was responding to a crisis, rather than structured within a strategic freight investment plan for Scotland.

I hope the above brief comments are helpful

Derek Halden

20 January 2015