INTRODUCTION

ii. FTA welcomes the opportunity to submit evidence to this inquiry with its remit: “To identify and understand some of the challenges facing the freight transport industry in Scotland, including domestic and international links as well as the interconnectivity of rail, road air and sea freight services and to identify key areas for development, improvement and change.

iii. We are therefore structuring our evidence around the six key thematic question areas in the Committee’s call for evidence and lay these out below.

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?

iv. Scotland’s economy faces the challenge of geographical peripherality and it is therefore vital that its freight transport and logistics links are organised and structured to prevent this geographical peripherality becoming and economic peripherality. Scotland is a net exporter (unlike the UK measured as a whole) mainly due to its food and whisky exports to global markets, yet this statement masks imbalances in individual trades. Such imbalance brings issues with positioning sufficient empty ISO freight containers into Scotland for these export trades while at the same time curtain-sided road and rail equipment that brings in Scotland’s food and retail supplies from the English West Midlands distribution centres often returns empty south bound. This is articulated in the 2012 Report for FTA including by Professor Alan McKinnon and this is attached to our submission.

v. Scotland’s routes to and from European and Global markets are predominantly via the south of England haven ports, mainly Southampton, Felixstowe and now London Gateway. These operate as part of an English Midlands-centric UK distribution model utilising road and rail transport. London Gateway is seeking to develop a more port-centric basis for its distribution. Trade with the Americas centres on Port of Liverpool and the North Sea trades on Teesport as well as Immingham and the east coast ports of England. The large ships that dominate global trade lanes will not call at European ports further north than the north of...
continental Europe / South of England, therefore Scotland’s connectivity with these markets has to be via good quality road, rail and coastal feeder shipping services to connect with these ports / inland distribution centres. Scotland’s use of air freight is concentrated on road fed hub use of English air freight hub airports. Therefore the current deliberations over expanded airport capacity in the South East of England are as relevant to Scottish business as English as it is the ability to hub freight at that location and connect with the European and Global air trade lanes.

vi. An important dimension not to overlook is the “last mile” connections between key freight termini (such as central belt rail freight intermodal interchanges or feeder ports) and the national trunk road network. In the parallel situation in England, FTA has welcomed the Roads Investment Strategy approach with the new Strategic Highways Company Highways England” whereby central Government may fund and develop local non trunk road developments to connect strategic freight terminals to the national trunk road network. Such an approach could be equally beneficial in Scotland.

2. How can Scotland’s rail, road, air and sea freight routes to the rest of the UK, to Europe and worldwide be improved?

vii. Scotland needs policies and infrastructure investment that recognises the challenges set out above and that supports Scottish business using these supply chains. Specifically this means delivering rail freight infrastructure investment (for example Highland Main Line capacity and capability works, East Coast Main Line capability works) via the Scottish Freight Fund and road freight infrastructure improvements (such as the A9 and A96 dualling). But it also means ensuring cross border linkage with the Strategic Rail Freight Fund schemes in and Road Investment Strategy Schemes in England, covering areas such as the East Coast Main Line and A1. (FTA’s full list of such schemes is attached in our earlier Comprehensive Spending Review document) Scottish policy support for increased hub airport capacity in the South East of England is important as is policy support for feeder coastal shipping services (see xi below).

viii. Specific threats to this include recent policy by the Office of Rail Regulation to increase freight Track Access Charges and also proposals that would introduce geographically differentiated freight Track Access Charges that would see rail freight in Scotland penalised by higher charges reflective of the cost of infrastructure maintenance related to the topography of the territory.

ix. The differentiation of HGV speed limits in Scotland by 10mph less compared with England and Wales when their limits are raised on single and dual carriageway roads will add further to the risk of peripheralising Scotland and we would urge that the connectivity benefits of aligning those limits with England be explored.

x. The operation of HS2 once constructed also threatens Scottish supply chains as passengers trains will run on to / from HS2 up the existing West Coast Main Line to / from Scotland. Indicative timetabling work by HS2 Ltd has shown that this will restrict both current and potential future growth freight on this corridor. It is for
reasons including this that [FTA has petitioned on the HS2 Bill](#) (copy of our submission is attached).

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

xi. It is regrettable that the Freight Facilities (Capital) Grant has been removed in England but commendable that it has been retained in Scotland. FTA lobbied successfully to have this grant reinstated in Scotland after it was previously threatened with withdrawal. Together with the Mode Shift Revenue Support Grant these make a valuable contribution to modal shift and carbon reduction and FTA would commend Scottish support to UK Government in seeking to renew and develop the State Aid permissions from the European Union that allows such regimes.

xii. In respect of the above an anomaly that affects water freight (coastal) traffic (in England as well as Scotland) is the inability to have a parallel regime to that for rail, the water regime being much more restrictive. Overcoming this could benefit modal choice and environmental benefit not just for use of coastal sea freight between Scotland and England in respect of traffic to and from southern haven ports but to nearer destinations not currently competitive with rail or road. FTA would urge Scottish support for UK lobbying and policy review of the Water Freight Grants regime to facilitate this.

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

xiii. The EU TEN-T multi modal corridor approach is useful. Separately, the European Rail Freight Corridor initiative is useful to aiding cross EU border freight traffic, though the management of its reservation of paths for international freight on the West Coast Main Line north of London needs careful attention so as not to constrain e.g. Anglo–Scottish only traffic on the network.

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

xiv. FTA runs the Logistics Carbon Reduction Scheme (LCRS). The Logistics Carbon Reduction Scheme is a voluntary industry-led approach to reducing carbon emissions from road freight by recording and reporting reductions in CO² emissions. The scheme is free to join and open to all commercial vehicle operators. Currently this is focussed on the road freight sector but with potential to be expanded to other modes of transport. The LCRS allows the UK logistics sector to publicly report, for the first time its contribution towards national carbon reduction targets. LCRS was launched in late 2009, Read the LCRS fourth annual report. In April 2011, the Department for Transport endorsed the LCRS as a key way for industry to record, report and reduce carbon emissions from freight. In May 2013, Government published its Freight Carbon Review. Evidence from the LCRS has directly resulted in Government continuing to support a voluntary approach to carbon reduction. The LCRS can also help
operators in scope of the Energy Savings Opportunity Scheme to compile the data required for audit.

xv. FTA’s Mode Shift Centre http://www.modeshiftcentre.org.uk/ helps logistics shippers make informed choices about modal shift to rail or water freight with a range of support services including Customer Guides to using Rail Freight and Water Freight.

xvi. In respect of assisting freight modal shift to rail FTA is developing a customer focussed rail freight agenda. FTA has worked with the UK’s major retailers within FTA membership to give greater visibility to their current use of rail freight. Our “On Track” publication provided a series of illuminating case studies showing the extent to which retailers were using rail freight, including the CO₂ savings associated with this. This work has now been taken a step further.

xvii. The same retailers have provided FTA with data giving details of their flows over 200 miles, providing the opportunities for load matching and even greater potential to use rail freight. At the same time, the UK’s leading retailers have identified 12 key areas where shippers believe progress is needed if rail freight is to fully realise its potential. We are calling this the “Agenda for More Freight on Rail”. These 12 areas identified for improvement have been broken down into four key themes:

- costs and competitiveness
- service availability and flexibility
- network access
- international services

xviii. The Agenda for More Rail Freight has now been endorsed by FTA’s British Shippers’ Council, which includes a much wider range of shippers from other sectors of the economy who are eager to move more freight by rail if the conditions are right.

xix. In its recent Freight Market Study and Delivery Plan, Network Rail states that it needs to cater for an additional 30 per cent increase in freight by 2019. That’s a tall order, and if this is to be achieved Britain’s leading retailers and shippers, upon whom that growth depends, have highlighted where major changes and improvements in the delivery and performance of rail freight services in Britain is needed if the growth projections forecast by the Freight Market Study are to be realised.

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

xx. As discussed above, it is important to recognise that Scotland’s routes to and from European and Global markets are predominantly via the south of England haven ports, mainly Southampton, Felixstowe and now London Gateway. These operate as part of an English Midlands-centric UK distribution model utilising road and rail transport. London Gateway is seeking to develop a more port-centric basis for its distribution.
Trade with the Americas centres on Port of Liverpool and the North Sea trades on Teesport as well as Immingham and the east coast ports of England. The large ships that dominate global trade lanes will not call at European ports further north than the north of continental Europe / South of England, therefore Scotland’s connectivity with these markets has to be via good quality road, rail and coastal feeder shipping services to connect with these ports / inland distribution centres. Investment in “last mile” infrastructure that connects Scotland’s inland rail and coastal feeder shipping ports is therefore vital too.

xxi. Also as stated in (x) above it is regrettable that the Freight Facilities (Capital) Grant has been removed in England but commendable that it has been retained in Scotland. FTA lobbied successfully to have this grant reinstated in Scotland after it was previously threatened with withdrawal. Together with the Mode Shift Revenue Support Grant it these make a valuable contribution to modal shift and carbon reduction and FTA would commend Scottish support to UK Government in seeking to renew and develop the State Aid permissions from the European Union that allows such regimes.

xxii. In respect of (xx) an anomaly explained in (xi) above that affects water freight (coastal) traffic (in England as well as Scotland) is the inability to have a parallel regime to that for rail, the water regime being much more restrictive. Overcoming this could benefit modal choice and environmental benefit not just for use of coastal sea freight between Scotland and England in respect of traffic to and from southern haven ports but to nearer destinations not currently competitive with rail or road. FTA would urge Scottish support for UK lobbying and policy review of the Water Freight Grants regime to facilitate this.

Conclusions

xxiii. Scotland’s supply chains service its economy in UK, European and Global markets. It is important to recognise the ways in which they do this and the challenges to this articulated above along with potential policy support and solutions also laid out above.
Scottish Logistics Report

Report prepared for the Freight Transport Association by Professor Alan McKinnon (Kühne Logistics University, Hamburg and Heriot-Watt University) and Dr Maja Piecyk (Heriot-Watt University)

Summary

This report reviews published data on many different aspects of logistical operations in Scotland. Most of the data relate to freight transport, though, for the first time, it has also been possible to examine the recent development of distribution centres in Scotland.

The introductory section examines attempts in other parts of the world to assess the macro-economic importance of logistics and its impact on business performance. These indicate that expenditure on logistics represents around 7-10% of GDP and show a link between logistics capability and trading performance at a national level. The report recommends that similar analyses be done for Scotland.

The review of Scottish freight transport trends over the past decade highlights several notable developments:

- significant decoupling of economic growth and freight tonne-km trends, suggesting that the freight transport intensity of the Scottish economy is diminishing.
- Scotland’s freight modal split changed only marginally despite government efforts to promote the use of rail and waterborne services
- lorries’ share of Scotland’s road traffic remained fairly stable at 6%, while van traffic increased its share from 12% to 14%.
- number of road freight operators registered in Scotland dropped by a fifth, though the haulage industry remains highly fragmented with the average fleet comprising only 4.5 lorries.
- sharp increase in the amounts of containerised traffic passing through Scottish ports, partly as a consequence of the boom in Scotch whisky exports.
- substantial growth of roll-on roll-off traffic using Scottish ports, mainly on the Northern Irish routes. The volumes of ro-ro traffic on the Rosyth-Zeebrugge have fallen well below their peak and are below the levels required for long term viability.
- airfreight tonnage handled by Scottish airports has dropped sharply, mainly as a result of the off-shoring of the electronics industry.
- composition and geographical distribution of Scotland’s airfreight has radically altered with the proportion of mail rising from 35% to 57% and Edinburgh capturing a larger share of the remaining airfreight traffic than Prestwick and Glasgow combined.
- there remain serious imbalances in freight traffic flows to and from Scotland across all transport modes. This undoubtedly inhibits the development of direct freight services to and from the country.
• Scotland attracted only around 3% of the new UK floorspace in distribution centres of over 10,000 sq metres between 1995 and 2011. The recent decision by Amazon to locate its largest European DC in Scotland suggests that the country could do more to exploit its locational advantages as a base for distribution operations.
• CO2 emissions from freight movements originating in Scotland remained fairly stable until 2009 when the recession reduced the level of freight transport activity and cut emissions by around 14%.
• steep reductions in the involvement of HGVs and vans in road accidents and in the number of related casualties.

Although, relative to many other countries, Scotland is quite well endowed with freight data, there is still room for improvement. Without detailed and accurate freight data, it is very hard to forecast the future demand for logistics services and freight-related infrastructure. It is also difficult to analyse the structure of supply chains starting and / or ending in Scotland, their changing logistical requirements and their vulnerability to potential disruptions.

15 January 2015