SCOTCH WHISKY ASSOCIATION

WRITTEN SUBMISSION

The Scotch Whisky Association (SWA) is the industry's representative body and works to sustain Scotch Whisky’s place as the world's leading high-quality spirit drink and its long term growth worldwide.

The Association’s 57 member companies, including distillers, blenders and bottlers, account for nearly 95% of the industry. We welcome the opportunity to provide a response to the Infrastructure and Capital Investment Committee’s inquiry into freight transport in Scotland.

World-class transport infrastructure, efficient routes to market, and connectivity are key to the Scotch Whisky industry meeting its ambitious export and environmental goals. The industry believes there is room for improvement in these areas, with the ambition that Scotland becomes better connected in a way that compares more favourably to other countries of a similar size and complex geography.

Scotch Whisky is Scotland’s second biggest export after oil and gas. With around 40 bottles of Scotch Whisky exported from Scotland each second in 2013, adding £4.3 billion to the balance of trade, transport links with export markets are clearly important for the industry. However so too is domestic connectivity to transport raw materials, packaging and spirit to and from the industry’s sites within Scotland.

The industry makes use of all modes of transport. There are currently around 165 Scotch Whisky sites located throughout Scotland including remote rural areas. These sites include distilleries, blending and bottling complexes, maltings, cooperages and warehouses. All movements involve at least one road journey. Within Scotland, the industry’s internal movements are done by road with ferries used to connect island distilleries to the mainland. Investment is ongoing by both established and new Scotch Whisky companies to build new distilleries and increase production which will all require additional capacity and flexibility for freight transportation.

Scotch Whisky is transported to the UK market by road and rail; to Europe by road, rail and short-sea feeder services; and markets beyond Europe by deep sea vessels from the major ports located in England and the near continent. Road is essential at least to transport our product to the rail head or port.

The Scotch Whisky industry relies on long term planning of connectivity and infrastructure. Such an approach is also key to Scotland's ability to grow and internationalise its economy in the future.
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 Association believes that more could be done to ensure that the more remote areas of Scotland are better connected. Investment in road upgrades would help to improve freight transport in Scotland. We have provided the following examples that require particular attention from the Scotch Whisky industry’s point of view:

**Roads:** All movements, either internal or to export markets involve at least one road leg – this might be short, for example to transport bottles of Scotch Whisky from a dispatch warehouse to a port.

**A9:** For Scotch Whisky, the A9 is a key route for freight. It is used, for example, to carry raw materials and empty casks to distilleries and to transport spirit away for warehousing or blending/bottling. We welcome the Scottish Government’s commitment to invest £3 billion in upgrading 80 miles of single carriageway between Perth and Inverness and encourage early completion before the current 2025 timeframe. The A9 is a key arterial route and we acknowledge that the commitment to dual the A9 represents one of the biggest infrastructure projects in Scotland’s history.

**A95:** The A95 between Aviemore and Craigellachie (and on to Keith and the A941 to Elgin) is a vital link for the industry. It connects Speyside to the A9 and is also used to transport spirit, raw materials and distillery by-products to and from the 50+ distilleries and other industry sites within the region. We believe that there is a strong case to invest in this key route to make it safer and easier for HGVs.

**A83:** The A83, the Rest and be Thankful, suffers from frequent closures as it is prone to risk from landslides. This not only affects residents and tourists but also the distilleries located in Campbeltown, Islay and Jura. While a shorter local diversion route is opened when appropriate, the longer diversion route for larger HGVs is around 60 miles and causes severe delays for business. A long-term solution to this recurring problem is needed.

**Winter resilience:** Recent years of bad winters have seen the transport infrastructure suffer which has resulted in a loss of productivity and distribution of goods. The Scotch Whisky industry would welcome greater investment to make key routes more resilient in winter.

**Rail:** Increasing volumes of Scotch for export are now moved to ports by rail. In 2012, 29% of Scotch sent to France was transported at least part-way by rail\(^1\). Although rail is used for moving cased goods south, its use for movements within Scotland is limited. In 2013 a pilot – *Lifting the Spirit* - took place whereby bulk Scotch Whisky was transported from Speyside to the central belt by rail. There was a real willingness by distillers to be involved in the trial and although it showed that it is physically possible to

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\(^1\) SWA Environmental Strategy data 2012
move spirit by rail, it revealed some issues that would need to be resolved before rail can be a long-term option for distillers.

Investment in rail infrastructure, supported possibly by freight facilities grants, including gauge enhancements and increasing capacity on the Aberdeen to Inverness and Perth to Inverness routes, and rail terminals is needed to provide more efficient and secure, intermodal transfers. There might be scope to offer grant assistance to support ‘low-deck’ wagons that could be used to move 9 foot 6 inch high containers on routes within Scotland where there are gauge issues. Members have reported high costs associated with maintaining and reinstating rail sidings to large sites which are adjacent to rail routes.

Sea : Fifteen distilleries are located on Scottish islands, with a world-famous clustering on Islay. In addition to road, those distilleries require at least one sea leg to connect with the mainland to allow the movement of raw materials, spirit, casks, distillery by-products, people and plant and machinery. Members have raised serious concerns regarding capacity on the ferries serving the islands particularly during the holiday season. One specific example, although not unique, is Islay.

The local industry on Islay is anticipating long-term growth in production that will have knock-on implications for freight movements to and from the island. At the same time, the distilleries play a pivotal role in Islay’s tourism industry. An increasing number of visitors are attracted by their high quality visitor facilities as the popularity of Islay whisky grows. Indeed, the visitor season on Islay is becoming longer and less seasonal.

Currently, even before the anticipated growth, the Calmac ferry service is stretched. Two vessels operate the mainland to Islay route and during the summer timetable period there are four sailings per day from a Monday to Saturday, and three on a Sunday, from Port Askaig or Port Ellen.

Some issues regarding the ferry service include that the ferry can be removed at short notice to provide a ‘relief service’ for other routes when problems emerge. There is concern that the current (or a more limited) service is proving unable to meet existing requirements, let alone the likely future industry demand. Freight levels from Islay are consistent throughout the year. If freight cannot leave the island, there is a risk that production is impacted, due to on-site storage capacities. When the Islay route tender is re-visited, it is important that clear standards of service are set out, taking into account the current and future demand on what is a vital route for the industry. Where such standards are not met, there should be appropriate penalties.

The industry therefore sees the need for more responsive ferry and freight services to the islands, in particular for Islay.
2. How can Scotland’s rail, road, air and sea freight routes to the rest of the UK, to Europe and worldwide be improved?

Over 90% of Scotch Whisky produced is exported to about 200 markets around the world. Although small quantities are transported to the near continent using the Channel Tunnel, the majority is moved by sea. Short sea feeder services connect Scotland to the continent. Almost all Scotch Whisky exported to Spain was shipped directly from Scotland in 2012.

Exports to markets outside the EU require deep sea movements. As no deep sea shipping services call into Scotland, the industry relies on the large deep sea ports in England and the near continent. We welcome investments in those ports such as the new Liverpool 2 deep water terminal and the London Gateway which should increase the UK’s connectivity with the rest of the world. The industry believes that more could be done to improve connectivity with those deep sea ports.

We have provided the following examples which require particular attention from the Scotch Whisky industry’s point of view:

Road: Although most Scotch travels south by feeder services or rail, some goes by road. It would be helpful to improve capacity of the north/south road network by dualing the A1 from Dunbar to Morpeth. This would provide an alternative route south, particularly to the English North Sea ports. In addition, a large supplier of malted barley is located in Berwick-upon-Tweed. Dualling the A1 to the border will help with the transport of that important raw material.

Rail: Freight on the East Coast mainline is currently restricted by its gauge (W9) which does not allow deep sea shipping containers (9 foot 6 inch high) to be transported on standard wagons. Gauge enhancement on this route, which is due to be completed in the next 18-months, will provide an alternative route to the southern ports, particularly North Sea ports and should help free up capacity on the West Coast Mainline.

The industry is already committed to rail for transporting cased goods to export markets, for example around 29% of bottled exports to France were moved by rail to the port in 2012. There are potential benefits of operating direct rail services from Scotland to mainland Europe via the Channel Tunnel.

Sea: Grangemouth, Greenock and Rosyth are the main Scottish ports that are used to transfer Scotch Whisky to deep sea ports located in England (notably Felixstowe, Southampton and Tilbury) and Europe (notably Antwerp and Rotterdam). The industry would welcome more frequent feeder services and routes from Scottish ports to those deep sea ports. This would improve connectivity with Scotch Whisky markets and would also benefit other industries seeking to increase exports.

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2 SWA Environmental Strategy data 2012
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As of 1 January 2015, EU Member States have to ensure that ships in the Baltic, the North Sea and the English Channel are using fuels with a sulphur content of no more than 0.10%. Higher sulphur contents are still possible, but only if the appropriate exhaust cleaning systems are in place. We are concerned that the Directive may lead to increased costs for exporters, although the full impact might not become apparent due to the recent fall in price of oil as shippers costs might be absorbed by lower fuel prices. However, if short sea shipping services are withdrawn because of the Directive, we may see increased use of land-based transport which could give rise to increased freight emissions.

**Air:** Scotch Whisky is generally not exported by air freight, however there is an argument that better air links generally, coupled with proper road links from the central belt to the Highlands, would make both tourism and staff connectivity to markets overseas more viable. In addition, within the UK, frequency and speed of connections to London are of course also a priority given its continued status as a global business and financial centre, as well as a key hub to international markets.

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

In September 2013, a trial took place to deliver Scotch Whisky by train from Speyside to central Scotland. ‘Lifting the Spirit’ was part funded by the EU Food Port Programme as well as Highlands and Islands Transport Partnership, Highlands and Islands Enterprise and Moray Council. The pilot involved trains leaving Elgin goods yard in Speyside to Grangemouth. Several Scotch Whisky companies, as well as a potato producer, collaborated on the trial. It was the first time there had been any substantial volume of goods transported by train from Elgin since the mid-1980s. The Association is currently awaiting for the final report on the findings of the trail.

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

The freight industry is best placed to advise on how it can contribute to greenhouse gas emission reductions. Improvements in vehicle efficiency and alternative fuels, further electrification of the rail network, more and longer passing loops and better signalling to increase capacity and efficiency should help land based transport. We are aware that the shipping industry is taking active steps, for example by improving vessel efficiency (ship design, engine design and size) and slow steaming (which the industry supports as long as there is clarity and certainly of schedules).

With regard to Scotch Whisky, in 2009 the industry signed up to a comprehensive environmental strategy and has invested over £1 billion in renewable energy systems over the last few years. The industry is committed to reducing greenhouse gas emissions and is increasingly looking for ways in which to be more environmentally sustainable, working with stakeholders in its supply chain such as the haulage sector.
There is a general desire for modal shift from road to rail by distillers to improve business flexibility, access new transport capacity and to reduce mileage emissions. However, unfortunately, a lack of investment over recent years has made rail less commercially attractive.

While cased bottles are increasingly transported via rail, before large scale transportation of Scotch Whisky bulk spirit by rail can take place on a greater scale within Scotland, investment in the rail network (e.g. storage capacity, security, appropriate loading facilities etc.) and better connectivity between modes is required.

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

Scotland’s main ports (Grangemouth, Greenock and Rosyth) are well served by road transport. Grangemouth, Scotland’s largest container port, is also well connected to the rail network. If short-sea feeder vessels increase in size it is vital that investments are made to accommodate these larger ships. Physical barriers, such as sea lock capacity and quay depth, might need addressing. Investment in other port infrastructure, such as gantry cranes, straddle carriers, and storage might also be needed to accommodate larger vessels and improve port handling capability.

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