SCOTTISH COUNCIL FOR DEVELOPMENT AND INDUSTRY
WRITTEN SUBMISSION

Scottish Parliament’s Infrastructure and Capital Investment Committee: Freight Transport in Scotland

SCDI is an independent membership network that strengthens Scotland's competitiveness by influencing Government policies to encourage sustainable economic prosperity. SCDI’s membership includes businesses, trade unions, local authorities, educational institutions, the voluntary sector and faith groups.

Competitive infrastructure and connectivity enables globally ambitious Scottish businesses to grow and internationalise; attracts inward investment to Scotland in high-value manufacturing and services; and people to live, work, learn and visit. Freight transport provides business with the vital means to transport materials and distribute stock throughout the county, as well export goods across the world, and a competitive and effective freight sector is integral to the success of the wider economy.

Almost a decade has passed since the Freight Action Plan for Scotland was published in 2006, and SCDI welcomes the Infrastructure and Capital Investment Committee's inquiry into issues facing the freight industry in Scotland. Rail, road, sea and air freight all have crucial roles in supporting business, and improved provision of infrastructure and policy mechanisms which boost connectivity across Scotland, the UK and beyond are essential for continued economic growth. In particular, more companies must be encouraged to export; at present only a tiny proportion of Scottish businesses are trading internationally, with 50% of Scottish exports are attributable to just 50 companies.

Freight connectivity is just one of many barriers which must be tackled if the Scottish Government is to reach its target of a 50% increase in the value of international exports by 2017, which at present appears unlikely to be met. The parallel inquiry being undertaken by the Economy, Energy and Tourism Committee on internationalising Scottish business is welcome, and SCDI has responded to this on wider issues including a need to diversify Scotland’s export base and instill greater collaborative working to ensure an effective range of export services reaches the widest pool of companies.

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.

Rail: Rail infrastructure in Scotland has been historically underinvested in, and its ability to carry more freight is limited by several factors. In particular; some trunk routes still include single track despite being integral to the intercity network. The network lacks the infrastructure to accommodate the longest and most cost-effective trains which can be

1 http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/Exports/GCSIntroduction
used through the Channel Tunnel at a time when freight traffic through the tunnel is rapidly growing. Finally the loading gauge of many trunk sections is of insufficient height and width for modern trains with tall containers.

Particular capacity issues include:

- The largely single track railway between Perth and Inverness, and the inadequate number and length of passing loops preventing trains travelling in opposite directions to pass.
- Single-track sections of track between Perth and Aberdeen at Montrose/Usan and a lack of long passing loops.
- Limited ability for onward connection at Grangemouth for freight from the North East, with the need to transfer train for southbound journeys adding as much as a day's transport time and reducing the competitiveness of the service.
- A lack of long passing loops on the single-track Aberdeen-Inverness railway.
- A need for longer passing loops and fewer speed-restricted structures on the single-track West Highland Line from Glasgow to Fort William.

As well as capacity constraints, the Scottish rail network is ill-equipped to handle modern freight trains with tall containers. For example, inadequate loading gauges prevent larger freight trains travelling beyond Coatbridge, Mossend and Grangemouth to Aberdeen and Inverness.

In addition, Scotland does not currently have any rail sidings long enough to accommodate the longer freight trains which are standard in Europe. Developing these would allow faster loading and unloading of freight as trains would not have to be broken-up to enter sidings, as well as allowing a greater volume of freight to enter and leave Scotland in the limited slots available on the constrained West Coast and East Coast Main Lines.

The development of key rail freight terminals in Coatbridge, Mossend and Aberdeen is necessary to accommodate longer freight trains, however, this can be constrained by planning issues in the surrounding areas. For example, Mossend International Railfreight Park was recently rejected by North Lanarkshire Council, despite recommendations from planners for approval. We understand that this decision is being appealed to the Scottish Government and SCDI hopes it will support this nationally significant development.

In future, the development of rail terminals could be aided by ensuring planning policy at a national and local level accounts for their strategic importance. SCDI consistently questioned the exclusion of rail freight terminals in the National Planning Framework 3, and welcomed the Committee's support for this point. While references to the importance of rail freight and its key hubs were strengthened in the final NPF3 documents - particularly as this was missing from earlier iterations - it did not identify improvements for this core economic infrastructure. SCDI believes that, following appropriate analysis, NPF4 should recognise major rail freight developments including
terminals as National Developments, as NPF3 has done with ports and harbours, in order to support these necessary developments, enable export growth and catalyse other investment.

Opportunities to develop new terminal sites in suitable locations should also be considered in order to complete inter-city freight connections. Some areas of the country are not currently served by any rail freight facilities. For example, Dundee is one of the largest cities in the UK without access to the national and international freight rail network. However, freight trains from central Scotland pass through Dundee to railheads in the North East, presenting an opportunity for a new railhead. For example, the Dundee Port Estate sits adjacent to the Dundee-Aberdeen railway line and could be considered as a location for a new facility.

Similarly, with the loading gauge clearance of the East Coast Mainline and Edinburgh’s South Suburban line due to be enhanced to allow 9'6” high international containers to be used in 2015-2016, there are new opportunities for intermodal railhead facilities, including Bathgate (Boghall), which is close to regional distribution centers, and Cameron Bridge in Fife (as part of a wider project to re-open the rail link to Levenmouth), which is adjacent to a major grain distillery and spirits bottling plant. SCDI has elsewhere recommended the protection of strategic sites adjacent to rail routes in the region to ensure that sustainable transport planning opportunities can be realised in line with both a desired and projected growth in intermodal traffic.

As such, it is essential that the statement of intent included in NPF3 is fulfilled; that Scottish Government will “work with the rail freight sector to develop a more strategic view of future development priorities for rail freight within the broader operational context of the network as a whole”. This would encourage local authorities to incorporate appropriate freight infrastructure into their Local Development Plans, protecting potential sites from inappropriate development and supporting rail freight sites in the planning process. The Scottish Government is creating a multi-modal sub-group of the Scottish Freight and Logistics Advisory Group (ScotFLAG) to help identify projects suitable for inclusion in future iterations of the National Planning Framework, but there should also be specific engagement with the rail freight sector to identify suitable projects.

Freight policy should also account for and overcome some of the difficulties and perceptions which make rail seem less attractive to business. These include the comparative lack of flexibility compared with road, as contracts tend to require long-term commitments. One option could be to encourage more effective industry coordination. This could reduce empty running on return trips, waiting times on restricted lines, as well as ensure maximum benefit is derived from both the Strategic Rail Freight Investment Fund and the Strategic Freight Network funding available in England and Wales.

**Road:** It is important that the dualling of trunk roads between cities is completed as soon as possible. SCDI supports the Scottish Government’s plans to dual the A9
between Perth and Inverness, and the A96 between Inverness and Aberdeen, and these should be delivered as early as possible to unlock economic opportunities. SCDI also welcomes the increased capacity on the M8, M73 and M74 and for the Aberdeen Western Peripheral Route, including the Balmedie to Tipperty section of the A90. In time, we hope the A90 can be extended to Peterhead and Fraserburgh.

Other trunk roads carrying large amounts of goods and in need of upgrade include the A95, the A1 in the Scottish Borders, and the A82 and A83 in the Western Highlands which remains too narrow for modern vehicles and is a safety concern for haulers. In addition, the A83 is frequently closed due to landslips, and the 60 mile diversion for HGV’s negatively impacts businesses located in Campbeltown, Islay and Jura. A solution to this ongoing problem must be found. The remaining planned improvements to the A75 and A77 in Dumfries and Galloway must also be completed.

The strategic transport network around Dundee and Perth also has an important role in facilitating road movement between the central belt and the North East and Highlands and Islands. Population growth in and around Dundee and Perth will put increasing pressure on the transport network in this region, and it is essential that capacity keeps up with demand. Pressure on infrastructure in these areas must be alleviated before it becomes a constraint on growth.

Other responses which could facilitate the free flow of trade could include rebalancing the use of congested road space away from inefficient personal car use by single passengers towards more productive freight movements. Public transport infrastructure as well as initiatives such as car sharing and active travel could contribute to this. SCDI supports a national road user charging system, which would replace existing road and fuel taxes, to make most efficient use of road space.

The road network also has a role to play in transporting freight to and from railheads, ports, and airports; however, there is not currently enough focus on ensuring good access for freight vehicles to transport hubs.

Finally, current and predicted shortages in Heavy Good Vehicle (HGV) drivers may constrain the sectors ability to meet demand; it is currently estimated that there is a shortage of 45,000 drivers in the UK, with a further 35,000 due to retire within the next year. This is compounded by the industry’s inability to insure drivers under the age of 25, which remains the age group in the greatest need of employment opportunities. This skills shortage could in turn increase the difficulty getting produce to market and the cost of transport for business. This is a particular issue for perishable goods, such as seafood, where the time constraints limit the suitability of other modes. As such, the sector must be supported to attract, train and insure new drivers to ensure this skills shortage does not constrain the freight sector as well as the wider economy.

**Air:** For high value goods with time sensitive delivery requirements air freight remains the most viable option. The maintenance and development of a good airport infrastructure and direct air links to other economic centers are vitally important to the
competitiveness and internationalisation of the Scottish economy. Heathrow is a significant UK air freight hub; however, its lack of spare capacity presents a risk to certain Scottish export sectors. For example, SCDI understands that Heathrow handles 95% of long-haul UK seafood exports, and access to these services for time-critical, high-value produce is highly significant, especially at a time of rapidly growing global demand.

**Sea:** Many Scottish ports and harbors are currently constrained by capacity and by poor access from road and rail. SCDI welcomed the focus in NPF3 afforded to freight handling facilities on the Forth and the development of Aberdeen Harbor, and the integration with other modes, however, this approach must be applied across all freight handling facilities in Scotland.

Access from the sea can also be an issue due to port infrastructure. For example, vessel length is limited at Jamison's Quay in Aberdeen, and berthing of freight vessels in Scrabster requires amendments to pier fendering arrangements. In addition, depending on the nature of adverse weather events (i.e. wind and tide direction) restrictions can be placed on vessels accessing harbours. Any future infrastructure investments should therefore be future-proofed to ensure access to a range of vessels, in all but the worst weather conditions.

The proposed Nigg Bay development may alleviate some of the issues facing ferry operators in Aberdeen. If given consent, however, it will be necessary to ensure surrounding road and rail infrastructure allows quick and easy access to Aberdeen and southwards to the main central belt freight hubs.

For islands and remote areas, business can be constrained by ferry handling capacity for freight. Ferries offer lifeline services to island communities and are integral to the functioning of their major economic sectors, being the sole mode for tourists to enter and produce to leave. There is a concern that some ferry services, such as to Islay, are struggling to keep up with the demands of tourism and the whisky sector at present, and these demands are only forecast to grow.

Freight fares on ferries can also be an obstacle, and the work undertaken by Transport Scotland to rationalise freight fares across Scottish Government funded ferry contracts is welcome, however, increasing the cost on particular routes as part of this is undesirable due to the impact this could have on business in remote locations that rely on these services as a lifeline.

Freight fares can also prevent full capacity for the islands being reached. For example, freight to and from Orkney can travel either on the Scrabster-Stromness ferry or Aberdeen-Kirkwall-Lerwick ferry. Freight fares are higher on the Scrabster-Stromness sailing encouraging more freight to travel via Aberdeen-Kirkwall-Lerwick sailing. This, however, creates freight and passenger capacity issues for both Orkney and Shetland. As Scrabster-Stromness is a shorter more frequent sailing it has the capacity to carry more, and making the fares more attractive would help release capacity on the other
route. To do so, however, improvements to the A9 north of Inverness, in particular at Berriedale Braes, would be needed to accommodate increased road freight traffic to Scrabster. Alternatively, the rail head at Georgemas Junction could be used to transport freight to Scrabster, although attempts to date have found it difficult to encourage a modal switch on this route.

Scottish Government must also monitor the impact of the EU Sulphur Emissions Control Area (SECA) on the North Sea and English Channel from 1st January 2015. This is a welcome step in tackling air pollution; however, the higher specification of fuel now required and in the need to retrofit some vessels will increase the cost of sea freight, which may encourage a switch to other freight modes which may adversely impact emissions of the freight sector as a whole and the Scottish Government’s vision for decarbonising transport by 2050.

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

Rail: Increased rail freight capacity offers opportunities to better link Scotland with the rest of the UK (including key ports), European and international markets. Almost half of all freight on the Scottish network is goods being transported for export, demonstrating the importance of this mode for achieving wider Scottish Government aims of increasing the value of Scottish exports.

Rail freight can only enter Scotland via the East Coast and West Coast Main Lines, and at present the opportunities for freight movements in and out are limited by a lack of passing loops which can accommodate longer trains (i.e. up to 775m length) which could allow faster passenger services to overtake freight trains using the lines. Gauge restrictions on the East Coast Main Line also prevent deep sea shipping containers to be transported on standard wagons, limiting connectivity to deep sea ports and increasing pressure on the West Coast Main Line.

As above, rail freight terminals must also be developed to accommodate the longer trains which are standard in Europe and provide longer rail sidings and more productive equipment, for example, the replacement of outdated road-rail transfer cranes at Coatbridge Freightliner Terminal.

Ensuring HS2 connects to Scotland can have positive implications for rail freight in terms of releasing capacity from the existing network. As a member of the High Speed Rail Scotland Partnership, SCDI supports the development of a UK High Speed Rail network between Scotland and London and the increased connectivity with other English cities and regions as well as with the European rail network which this would support. Capacity constraints are growing between Central Scotland and the north of England and if no high speed rail is constructed there will be little if any additional capacity for freight.
It seems likely that HS2 Phase 3 will involve a mix of new high speed rail infrastructure and enhancements to the existing lines. Clearly the more new track constructed, the greater the released capacity, including for freight. Where there are enhancements made to the existing lines, the opportunities to accommodate more and longer rail freight services should be a high priority.

Beyond infrastructure provision, ensuring policy and funding approaches are consistent north and south of the border will assist freight journeys between Scotland and the rest of the UK. Proposals by the Office of Rail Regulation to increase freight Track Access charges could mean freight in Scotland is charged more due to the higher cost of track maintenance, however, this would result in economic, environmental and social costs.

Many freight movements take place at night when extra capacity exists due to the lack of passenger services. However, this is also when maintenance and repairs are carried out. Freight movements and maintenance access need to be balanced to ensure services can be maintained, and the resilience of the network to extreme weather is improved in future. Enhanced reliability and perception of reliability will boost the attractiveness of rail and will encourage further modal shift.

Finally, capacity could be increased on the existing network by better utilisation of digital technologies. For example, Network Rail’s Digital Railway initiative provides a wide range of potential benefits, including signalling improvements which could enhance reliability and capacity issues. Other opportunities include the better management of the networks energy requirements by accessing cost-effective supply solutions and making use of its own assets for energy generation. Additional information could also be gathered to speed-up works and better manage maintenance across services through managing the interface between rail infrastructure, utilities and other transport modes. Finally, Digital Railway could improve the resilience of the network, predicting weather to inform short and medium-term operation, and using asset information to predict mitigate against future problems.

**Road:** The rest of the UK is Scotland’s most important trading partner. Scotland’s exports (excluding oil and gas) to the rest of the UK in 2012 were provisionally estimated at £47.6bn (£12.7bn of this is attributable to manufacturing²). Road haulage will remain an important means of trade with the rest of the UK, and completion of dualling on key roads, such as the A1 in the Scottish Borders/Northumberland and the A66 between the M6 and A1/A1(M), is needed to improve connectivity with major markets in England. In addition, many industries rely on the deep sea ports in England, and the investments in ports such as Liverpool 2 and London Gateway will support Scottish exports provided Scotland is well connected to these connections.

**Air:** Many Scottish goods that are airfreighted do not leave from Scottish airports, and are rather transported by road to other airports such as Manchester and Heathrow, adding extra cost and time to journeys. The UK’s consolidation of airfreight at Heathrow in particular makes it difficult for Scottish airports to secure initial returns on investment

in dedicated freight facilities. However, other forms of freight transport, such as belly hold, maximise the use of current assets as well as support routes for the benefit of passengers. Glasgow Airport, for example, has capitalised on its twice-daily Emirates’ service to Dubai which is successfully supported by the transportation of high value produce in its bellyhold. Thus direct international flights, particularly to strong markets for Scottish high value goods such as America and Asia, can support air freight movements.

Constraints on airport capacity in the South East of England, in particular Heathrow, is also a barrier for those regions without a direct service to Heathrow with bellyhold capacity, such as Inverness, and the development of an air freight link to another freight handling airport would be valuable. Island-based exporters could also benefit from air links to larger airports within Scotland for onward transit.

Finally, the opportunity for Scotland to control its own APD rates and reduce them is considered by SCDI as very important in developing Scotland’s direct international air connectivity particularly to emerging markets and global hubs, allowing it to attract greater inward investment, increase tourism, and grow its exports, both by allowing businesses to travel with ease to new markets and increasing belly hold capacity for exports. SCDI also continues to call for the reintroduction of an EU-compliant air route development fund for direct air routes to key and emerging markets.

**Sea:** One of the most complex problems facing the global shipping industry is the shortage of return loads and the need to reposition shipping containers to other locations. The imbalance between imports and exports means Scottish exporters incur costs repositioning empty freight containers to Scotland.

Short-sea shipping has considerable potential given the number and distribution of ports around Scotland and the UK, both for distributing goods throughout the UK and connecting with deep sea ports in England and Europe. A greater number of feeder services and routes from Scottish ports would increase modal shift from road and would improve export connectivity.

**General:** Infrastructure resilience across all transport sectors must be improved and maintained. In particular, continued investment in maintaining and keeping transport networks open during times of extreme weather is vital. This will become even more important in future with climate change expected to increase instances of extreme weather. However, there is also a need to manage expectations, and it should be recognised that exceptional events and circumstances may have unavoidable consequences, and plans to manage infrastructure networks and communicate problems at these times is necessary.
3. How can the Scottish Government structure its freight grant schemes to support the switch of freight to more sustainable modes of transport?

SCDI welcomes the continuation of freight grants, such as the Freight Facilities Grant, which has been instrumental in shifting freight from road to rail and sea, reducing congestion and resulting in carbon savings. However, these grants are not yet being used to their full potential due to their structure. The need to bid for and spend the grant within a year does not allow for adequate planning and does not reflect the long term commitment rail requires.

More flexibility is also required around what grants can be used for; for example, they are not currently used to support rail freight over longer distances, as this is assumed to be commercially viable. However, depending on the volume and type of good, this is not always the case. Likewise, as well as just rail terminal development, other infrastructure investment including road access improvements which allowed better utilisation of terminals could also be supported. Thus, SCDI would support a grant system which focused on the economic and environmental outcomes of actions, as opposed to one based on specific developments or processes.

Scottish Government should also be more proactive in its promotion of the FFG, ensuring all businesses with easy access to rail and water are aware of the opportunity. In addition, it could do more to assess the potential opportunities for greater use of rail freight in key sectors and clusters, and determine whether there are any simple measures which would open up rail haulage opportunities for food and drink, recyclates and biomass, and timber to name but a few. There are, however, significant gaps in the evidence base for freight and logistics which makes it difficult to assess need, forecast change, and uncover opportunity.

There is also a growing case for government support for a direct service between Scotland and mainland Europe. The introduction of SECA has increased the cost of shipping from Scotland, while transit charges for freight movements through the EuroTunnel have reduced, increasing the comparative attractiveness of rail freight to the continent. The establishment of this service in the short term could benefit from government support, however, the structure of the Mode Shift Revenue Support grant scheme, where payments are made retrospectively, means rail operators may be deterred from establishing such a service due to the upfront risk. It may be appropriate to consider an up-front grant, such as that awarded to establish the Rosyth-Zeebrugge freight ferry.

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

Scottish Government must ensure it is benefiting from all the European Union initiatives which it has access to, as well as ensure these work for Scotland in its peripheral setting within Europe, recognising both the challenges and opportunities this presents. Many EU projects also rely on match funding being secured, which has acted as a
barrier to freight projects taking place in Scotland in the past. More must be done to secure future match funding opportunities.

The Connecting Europe Facility (CEF) can be used to fund projects on the core network, including the West Coast Main Line and Glasgow-Edinburgh line. SCDI welcomes the EU’s extension of the European Rail Network for competitive Freight past London to Glasgow and Edinburgh, and a future extension which included Aberdeen and Inverness would provide access to funding for some of the most problematic sections of the Scottish rail network.

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

Continued modal shift from road to rail and sea where these offer a viable alternative will contribute towards reductions in greenhouse gas emissions. Transporting goods by rail, for example, is around three times more energy efficient than road haulage. Improving technology across all modes can also generate savings. Freight businesses must be encouraged to invest in existing green fleet technology, including vehicle designs and engine types, and to encourage green driving techniques.

SCDI also believes there should be an accelerated programme of electrification of the Scottish rail network, including to Aberdeen and Inverness. As well as further improve the environmental performance of rail this would increase the resilience of the network to oil shocks and price increases over the long-term, and would realise competitive benefits by allowing heavier loads and faster speeds to be carried by rail.

Consolidation centres which group loads and enable fewer trips would also increase the sustainability of freight operations. These centres can be used to consolidate freight in a particular region to be transported to and from a rail-head or port, for example, or to collect freight being carried by HGVs on the outskirts of cities and towns and transfer it onto smaller low-carbon vehicles, reducing congestion and air pollution in urban centres.

Finally, Scottish Government should monitor the impact of SECA on the North Sea and English Channel. The higher specification of fuel now required will increase the cost of sea freight, and may lead to more freight being transported by road, perversely increasing greenhouse gas emissions. Scottish Government should review the impact of this in the short-term, and be prepared to assist services, as it has done with the Rosyth to Zeebrugge link, where appropriate.

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

The recognition of the importance of well-connected port facilities in NPF3 was welcome, and Scottish Government should consider how to best support this in
practice, for example, through the use of powers available under the Transport and Works (Scotland) Act 2007.

Goods transported by sea freight will typically start or complete their journey by another mode, and the flow of goods through sea ports could be greatly enhanced by improving the access of road and rail freight, making the onward distribution of goods more efficient. Currently, the ports in Dundee, Perth, Methil, and Montrose have no access to rail. In addition, many ports with rail access do not currently make full use of this interchange, and should be encouraged to in future, perhaps through the use of grants and better targeted promotion, as discussed above.

20 January 2015