

LOCAL GOVERNMENT AND TRANSPORT COMMITTEE

Tuesday 7 March 2006

Session 2

£5.00

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LOCAL GOVERNMENT AND TRANSPORT COMMITTEE

7th Meeting 2006, Session 2

CONVENER

*Bristow Muldoon (Livingston) (Lab)

DEPUTY CONVENER

Bruce Crawford (Mid Scotland and Fife) (SNP)

COMMITTEE MEMBERS

Mr Andrew Arbuckle (Mid Scotland and Fife) (LD)

*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

*Dr Sylvia Jackson (Stirling) (Lab)

*Paul Martin (Glasgow Springburn) (Lab)

*David McLetchie (Edinburgh Pentlands) (Con)

*Michael McMahon (Hamilton North and Bellshill) (Lab)

Tommy Sheridan (Glasgow) (SSP)

COMMITTEE SUBSTITUTES

Colin Fox (Lothians) (SSP)

Mr Bruce McFee (West of Scotland) (SNP)

John Farquhar Munro (Ross, Skye and Inverness West) (LD)

Dr Elaine Murray (Dumfries) (Lab)

Murray Tosh (West of Scotland) (Con)

*attended

THE FOLLOWING ALSO ATTENDED:

Professor Alan McKinnon (Adviser)

THE FOLLOWING GAVE EVIDENCE:

Phil Flanders (Road Haulage Association)

Pat Glancey (Road Haulage Association)

Mike Hogg (English Welsh & Scottish Railway Ltd)

Andrew Malcolm (The Malcolm Group Ltd)

Ken Russell (John G Russell (Transport) Ltd)

Gavin Scott (Freight Transport Association)

Margaret Thompson (D Thompson & Son Ltd)

Kay Walls (Freightliner Group Ltd)

CLERK TO THE COMMITTEE

Martin Verity

SENIOR ASSISTANT CLERK

Alastair Macfie

ASSISTANT CLERK

Euan Donald

LOCATION

Civic Centre, Motherwell

Scottish Parliament

Local Government and Transport Committee

Tuesday 7 March 2006

[THE CONVENER *opened the meeting at 13:59*]

Items in Private

The Convener (Bristow Muldoon): I welcome committee members and members of the public to today's meeting of the Local Government and Transport Committee, which is being held in the Civic Centre in Motherwell. For the sake of clarity, I should point out that we decided to meet here before last week's problems in our Edinburgh headquarters.

Today, we will take further evidence on our freight transport inquiry. However, first of all, I ask members to agree to take in private item 3, which is consideration of our report on the Local Electoral Administration and Registration Services (Scotland) Bill. It is our normal practice to consider such reports in private, although the report itself will become public when it has been completed.

I also seek members' agreement to take in private item 4, which is consideration of a request for witness expenses. Again, we would normally consider such items in private. Are members agreed?

Members indicated agreement.

The Convener: We have received apologies from Bruce Crawford, Andrew Arbuckle and Tommy Sheridan. Dr Sylvia Jackson will attend the meeting; however, she has been delayed and will not be here until 2.30 pm.

Freight Transport Inquiry

14:00

The Convener: I welcome to the meeting our first witness, Gavin Scott, who is policy manager for the Freight Transport Association. I give Mr Scott the opportunity to make some introductory remarks on the subject of the inquiry, after which we will move to questions and answers.

Gavin Scott (Freight Transport Association): I do not have an awful lot to add to what I said in my submission, although I should perhaps give members a bit of background information about the Freight Transport Association. The FTA is a multimodal organisation. Although a lot of FTA members transport goods by road, 90 per cent of goods sent by rail and 75 per cent of visible exports are consigned by association members.

Many members involved in road transport run own-account operations, by which I mean they transport on their own account goods that they produce or process, as opposed to professional hauliers, who transport goods for other people. However, I should point out that most of the major logistics companies in the United Kingdom and Scotland are FTA members.

The Convener: Thank you for those remarks. We will now move to questions.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): My impression—not just as a constituency MSP from the Highlands—is that Scotland's road network comprises too many goat tracks. Indeed, I believe that about £4,000 million-worth of repairs are required over the next 10 years just to bring the network up to standard, although only half of that money has been pledged. What is the FTA's view of that problem?

Does the FTA have any suggestions about introducing on one of our A roads a pilot scheme that would disapply the current 40mph limit? Would such a move assist its members and the swifter passage of goods in Scotland?

Gavin Scott: I cannot argue with the £4 billion figure that you mentioned. We have certainly discussed with the Executive the fact that dualling the A9 would cost about £500 million, so I imagine that £4,000 million is a decent ballpark figure for overall repairs.

As I point out in the submission, Scotland suffers from being at the periphery of the periphery. A major problem with moving goods in this country is that a large part of the primary route network's coverage, particularly north of Perth, is made up of single-carriageway roads. That problem is compounded by the fact that on such roads the speed limit for goods vehicles of more than 7.5

tonnes is 40mph, or 60kph in round terms. I am sure that at some point you have all had to sit behind a vehicle doing 40mph on a single-carriageway road, thinking, "When am I going to get past this character?"

As we have argued in many forums, it would be a great help if the speed limit for heavy goods vehicles were increased. The current speed limits were introduced several decades ago, and vehicle quality, braking standards and so on are much better now than they were then. It is, in fact, a danger to road safety to have such a differential between the speed limits for goods vehicles and other cars.

I have just come back from holiday in New Zealand, where most of the roads, apart from bits of motorway near the cities, are single carriageway. There, the general speed limit is 100kph and the speed limit for heavy goods vehicles is 90kph, which means that the difference in speed limit between heavy goods vehicles and all other traffic on all roads, no matter whether we are talking about single-carriageway roads or motorways, is only 10kph. I have to say that I did not see any drivers who looked as if they were trying to get past heavy goods vehicles; after all, there are guaranteed overtaking opportunities at every hill and crawling lanes. I was very impressed by the quality of the driving and the safety aspects.

I have also discussed with the Executive the possibility of giving special road status to the A9. Although it is not a dual carriageway, it is of relatively good quality and it does not have many intersections or junctions. Special road status would allow the speed limits for goods vehicles to be increased. Increasing the limit to 50mph—after all, goods vehicles are limited to 56mph by speed limiters—would help road safety and the country's commerce.

Fergus Ewing: So the speed limit for HGVs is 40mph on the A9 and similar single-carriageway trunk roads and 50mph on dual carriageways?

Gavin Scott: That is correct. I should also point out that the speed limit on motorways is 56mph.

Fergus Ewing: I mention that simply because I feel that the public at large think that the speed limit for HGVs on trunk roads is 50mph. That is most certainly not the case.

In your submission, you say that anecdotal evidence suggests that some might "turn a blind eye" to trucks that are doing slightly more than 40mph on a single-carriageway road. However, your suggestion that the A9 and one or two other, similar, roads should be declared special roads is worth considering. Have you received any clear response to that proposal from the Executive? If so, what was it?

Gavin Scott: Up to now, the response has been a big nothing. The chief engineer said that the Executive could think about it, although the fact is that speed limits are reserved to Westminster. However, giving such roads special road status might help to address the issue.

On enforcing speed limits, everyone is well aware that, although they will never publicly admit it, the police will say of drivers, "Och, if he's not doing much more than 50mph, we're not particularly bothered." That would be fine, but the Vehicle Operator and Services Agency, which is the enforcement authority for goods vehicles, does not share that attitude. In the past, it has attempted to take action against operators whose tachograph charts show that their vehicles are exceeding 40mph.

I would rather have a 50mph speed limit that was enforced at 51 or 52mph than a 40mph speed limit that was not enforced until people reached 51 or 52mph. At least people would know where they stood.

Fergus Ewing: I have other questions, but I will let other members in. Perhaps we can come back to them if there is time.

The Convener: Absolutely.

Michael McMahon (Hamilton North and Bellshill) (Lab): One main theme that has emerged from our initial examination of the matter concerns the costs of fuel and the costs associated with bureaucracy that operators are incurring. As an organisation that represents poachers and gamekeepers in that respect, how do you mitigate the effect of fuel costs when you consider transport issues?

Gavin Scott: We are all aware that the absolute cost of and tax on fuel are pretty horrendous. Our main problem is the level of taxation and the differential that that causes between operators in this country and those from other parts of Europe and, indeed, the world.

Many of our companies work on what we call an open book accounting system, which involves the haulier and the customer agreeing on an escalator or a formula whereby if the price of derv goes up by a certain percentage, the haulage rates will increase accordingly. The more astute companies might stipulate, for example, that if the cost of fuel goes up by 3 per cent, there will be a 1 per cent increase in the haulage rate. It is probably the medium-sized operators and up that engage in such practice. Smaller operators tend not to be quite as well organised and suffer from resistance to claims for haulage rates increases on the back of increases in the cost of derv.

Michael McMahon: Allegations of unfair competition have been made because foreign

operators can fill up with cheap fuel and come across to operate in Britain. Is that an issue that the indigenous industry has to contend with?

Gavin Scott: There is definitely a problem with foreign operators because their vehicles have fuel tanks that allow them to come over from the continent, do the best part of a week's work and then go back over to the continent without ever having to fill up with fuel. In effect, no charge is made on foreign companies that operate in this country, unless they buy fuel. If they can get away with not buying fuel, they pay nothing towards meeting the costs of policing, enforcement, or the damage that is caused to roads, to which operators in this country contribute through the licences for which they pay and the operator licensing system. Operators from abroad do not have to meet those costs.

One could argue that the presence of foreign operators is a good thing for businesses in this country, because it means that they can get cheap haulage. In one sense that is true, but in another it is not. For many years, operators in the haulage industry have built up relationships with their clients. Trust has developed between the parties—open book accounting is a prime example of that, because it involves companies trusting each other enough to reveal their costs.

Although the use of a foreign operator offers the potential for short-term advantage, such an operator will not necessarily be there the next time he is needed and the quality of his service is unlikely to be as high as that which will be obtained from a haulier with which one has built up a relationship over the years. Eventually, foreign operators will become expensive as they tumble to the fact that they can increase their prices and make even more profit, provided that their prices are just a bit below those of domestic operators.

I do not think that the vast majority of my members regard the arrival of foreign operators as a good thing. They would rather deal with domestic operators with which they can build up long-term relationships that are founded on trust between the parties.

The Convener: Do you have any figures on what percentage of the haulage market in Scotland non-United Kingdom-based operators have?

Gavin Scott: I do not, but Phil Flanders, who is giving evidence later on, might be able to give you such figures.

The Convener: He has half an hour's notice.

Gavin Scott: Although I cannot quote the figures that were produced recently, I know that they showed an increase in the number of foreign operators that are entering the country. The vast

majority of them operate in the south and south-east of England, but there is a ripple effect that goes up through the country. We are certainly aware of foreign operators coming from places such as Spain and taking back loads of shellfish without buying a litre of diesel in this country.

The Convener: In your submission, you acknowledge that we have no direct influence over the taxation regime that applies to fuel. Can you think of any measures that it would be within the powers of the Scottish Parliament to take to aid the competitiveness of the Scottish industry?

14:15

Gavin Scott: One thing we could do to aid competitiveness is address peripherality, which brings us back to the quality of the roads and the speed limits. You do not have to be in the UK to be competing with somebody and suffering from those things. We are well aware—as members probably are too—that people are moving their manufacturing offshore to Europe because that is cheaper; the market is closer to where they are producing the stuff. Our peripherality has led to a reduction in manufacturing in Scotland.

Let us thank our lucky stars that we have whisky, because only in Scotland can we make Scotch whisky. An awful lot of Bacardi rum is made in Southampton these days; they can call it what they like, but that is where the stuff is produced. It is very difficult for people to keep producing goods here, given the increased costs that they will incur getting them to market. I am sure that Phil Flanders will speak about one of his members who produces timber-framed houses in Aberdeen and who, because of our road system, is having big difficulties getting to the market.

Michael McMahon: We have identified the problems of fuel costs, taxation costs and the unfair competition that you believe exists from foreign operators. Does that encourage you to look at other modes of transportation, such as rail, to overcome those difficulties?

Gavin Scott: There has been a big expansion in the use of rail freight in this country over the past few years. I have no doubt that rail operators would say that they can do with an awful lot more use of it. No doubt we could, but I am sure that the committee will hear later that we have moved an awful lot of goods from road to rail and to water owing to the availability of freight facilities grants—the grants are still available in Scotland, which is nice, because we cannot get them any more in England—to allow the provision of infrastructure.

The prime example that I love to mention is the use of a freight facilities grant to take timber from Campbeltown to Ayr by water rather than go all the way up through Argyll and all the way back

down again. That is a prime example of a fantastic use of the grant to take a lot of mileage off the roads.

I cannot say that the market is saturated, as it obviously is not, but a lot of the best opportunities have been grabbed. People will look for other opportunities to do exactly the same thing. However, one point concerns me. I keep on asking the Executive whether it can prove to me that the money that has been spent has taken that many lorry miles off the road. Everybody says yes, but they will not give me any figures. When a freight facilities grant is being given to remove X number of lorry miles from the road, I would like to know that that is happening. If it is not, the Executive should consider the possibility of clawing some of the money back.

David McLetchie (Edinburgh Pentlands)
(Con): I apologise for being late, convener. That is a discourtesy to our guests and I do not blame the Executive for the congestion on the road.

The Convener: It is due to the success of the economy.

David McLetchie: Today and at our previous meeting there has been a lot of discussion about foreign operators, but most of them operate from member states in the European Union. Effectively, nothing can be done about it in the context of European Union competition rules and the rest of it. That is a function of the single market. Is that not effectively the situation?

Gavin Scott: One thing that I can say about the foreign operators is that although because of the distances that they are covering their vehicles tend, in general terms, to be in reasonably good condition, their adherence to other rules and regulations, such as overloading, drivers' hours regulations, speed limits and speed limiter regulations, leaves a lot to be desired. VOSA, which is the enforcement agency, is concerned about that. It is also anticompetitive. It is nice in some ways that the UK Government has decided to give VOSA a fairly big slice of money to carry out enforcement, particularly at ports where such vehicles arrive.

David McLetchie: Comparing our country with other member states, do you have evidence that the inspection and monitoring regimes are operated to a higher level in this country than in some other member states?

Gavin Scott: Research that one of our members did recently suggests that the monitoring in this country is much more intense than it is in other member states. We have annual inspections of vehicles, whereas inspection happens every two years in France and every five years in Spain until the vehicle is 10 years old.

Quite apart from all the other things that we have spoken about, such as fuel prices and what have you, we enjoy—if that is the word—a much tighter regime of enforcement, which is an extra overhead. I do not think that the industry has a problem with that good enforcement effort on 44-tonne vehicles, because they are big things, but I would like to see a good old level playing field. We know fine that although there are attempts to impose similar enforcement levels throughout the EU, particularly on overloading, we are not there yet and continue to work towards it.

I am more concerned about the drivers' hours and working time regulations aspect because of the genuine risk to road safety.

The Convener: Have there been any academic studies that look at differences in the enforcement of regulations or inspection?

Gavin Scott: The EU is on the point of commissioning some work and a project called REMOVE—requirements for enforcement of overloaded vehicles in Europe—has just reported. It, too, was commissioned by the EU and looked at the different levels of enforcement on overloading, purely and simply. The EU is concerned about damage to the trans-European road network.

I do not think that there is much on other areas, although we hear a lot of anecdotal stuff. John Parry of Exel, who is the member whose research on monitoring I just quoted, said that he went round finding out about things, but it was not an academic study; it was more a case of his saying, "I looked around and this is what I saw."

David McLetchie: I will move on to the cost of providing the road infrastructure and network, relative to what the industry pays. Last week, in evidence to our inquiry, we heard the suggestion that the taxation levies on the industry represent something like 36 to 50 per cent of the external costs, that the industry is not paying its full share of the cost of the network compared with other modes of freight transport and that that creates an inbuilt bias. Have you done any research into what are described as external costs?

Gavin Scott: I am not sure about the comparison with other modes of freight transport—we could end up arguing about angels dancing on the head of a pin. If you said, "Right, the road transport industry pays only a third of its external costs, so the taxation audit should be brought up to that level," you should not look for much on the supermarket shelves, or you should expect to pay an awful lot more when you find what you are looking for.

The amount of tax that is raised in vehicle excise duty and fuel duty from all road users, including you and me in our private cars, comes to more than £30 billion a year, against a total spend of

less than £10 billion a year on everything, including accident costs, policing costs and enforcement costs.

I suppose that one argument could be to make car travel cheaper, as cars probably pay more than their external costs, and to make goods vehicle travel much more expensive, but I do not think that you would all be very happy about doing that. It would lead to an immediate increase in the number of cars on the road. Would that be a good thing or a bad thing? We would make goods in the shops an awful lot more expensive. We would have even more foreign competition from eastern Europe and various other European Union member states. I am not so sure that it would be a particularly good thing.

As to whether road transport pays whatever percentage of its external costs in comparison with any other mode of transport, I am not qualified to say. It is swings and roundabouts with all these things—somebody gets an advantage here and somebody gets an advantage there. I would be chary about starting off down that route.

David McLetchie: I have a question about the working time directive. The new regulations relating to hours came into effect last April, but I understand that they will not apply to owner-drivers for another three years.

Gavin Scott: The Italians managed to get a nice little regulation put in, which says that the provisions do not apply to self-employed operators. However, self-employment was defined quite tightly: individuals have to work for different masters and they have to be able to take days off when they want. We considered the regulation. The only people we could think of who are covered are small removal operators and so on, who can pick which jobs they do and decide to take a day off on the Tuesday or whatever. The standard sub-contractors who work for big operators or ready-mix concrete operators, who are owner-drivers and who are theoretically self-employed, tend to be committed to operating or working for a single operator. The rules apply to them, too.

David McLetchie: So the exemption and the deferred application are not really significant to the industry?

Gavin Scott: No. It is a bit of a blind, really. Having said that, most of my members discussed the issue and got themselves organised to deal with the working time directive. The vast majority of them have managed to absorb its requirements into their systems. They have made provision for it and they have managed it quite well. It is my belief and understanding that, the smaller the operation, the more difficult people are finding it to comply with the working time directive. The bad effects of

the directive are probably hitting the smaller, one-vehicle or two-vehicle, operator rather than the larger fleets.

Fergus Ewing: My understanding is that, over the past 15 years, the rules governing emissions from trucks have tightened up massively and that there has been a huge improvement. Can you give us some details about the level of performance?

Gavin Scott: As I stated in my written submission, the problem is that the vast majority of people think of goods vehicles as big, horrible, smelly and choking. I suppose that, to an extent, that was the situation some time ago. However, over the past few years, partly through the industry regulating itself but more because of the industry being driven by the EU, emissions from goods vehicles have reduced immensely.

In 1990, Euro 0, as it was known, was introduced. It referred to an emission level. Euro 0 effectively meant a move from the black smoke that used to come out of vehicles to a grey haze, which people could see through rather than be choked by. At the time, that was seen as quite a tight standard. People wondered how they would manage to reduce emissions to that level. That was brought into effect in 1991.

14:30

Over the years, we have progressed to Euro 3, Euro 4 and Euro 5. Euro 4 is the standard that will come in for new vehicles in October this year. The reduction in emissions is really quite amazing. Euro 0 had carbon monoxide emissions of 11.2g/kWh; Euro 4 will reduce that to 1.5g/kWh. For hydrocarbons, the figure for Euro 0 was 4.2g/kWh, but Euro 4 brings that down to 0.46g/kWh—almost a tenth of the Euro 0 figure. For nitrous oxides, the figure reduces from 14.4g/kWh to 3.5g/kWh; and for particulates—the smoky bit, if you like—the figure reduces from 0.5g/kWh to 0.02g/kWh.

Euro 5 will be here in 2009, by which time all those emissions will have been reduced by between 86 and 96 per cent from the present tight standard—the one that we were going to find it difficult to achieve. One goods vehicle in 1991, with the tight standard, was producing the same emissions as 10 goods vehicles do now. I ask committee members when they last saw black smoke coming out of the back of a goods vehicle. You may think that you saw it last week, but I am pretty sure that you did not.

Fergus Ewing: That is a tremendous improvement.

Gavin Scott: It is.

Fergus Ewing: I hope that we can get that point across, because it is not often made.

My final question is on the rates of taxation on road haulage as opposed to haulage by rail. I understand that the derv rate and the red diesel rate—I believe that red diesel is used by rail freight—are substantially different. Will you tell us what those rates are?

Gavin Scott: I can tell you what the figures are—until the chancellor changes them, although I hope that he will not do that again. The rate of duty on derv—the word comes from diesel-engined road vehicle—is 47.1p a litre, plus VAT. The rate of duty on gas oil, red diesel or rebated fuel—they are all the same thing; red diesel just has red dye stuck in—is 6.44p a litre.

Fergus Ewing: For the record, the level of tax on diesel in the United Kingdom is, I believe, the highest in Europe.

Gavin Scott: Yes.

Fergus Ewing: It amounts to €1,400 per 1,000 litres in the UK, whereas the average figure for Europe is just under €1,000.

Gavin Scott: From memory, the average is €960. If you go to Greece, you really get it cheap.

Fergus Ewing: Last week, we heard from Friends of the Earth Scotland that the rate was not high enough. What would be the consequence of further tax hikes on diesel? Friends of the Earth Scotland seemed to be advocating further increases—although the witness had a certain coyness about the prognosis.

Gavin Scott: It really comes back to what Mr McLetchie was saying. If we increase the cost of operating vehicles by whatever means—for example, by increasing the price of derv or by increasing vehicle excise duty—we will increase the price of every commodity that we purchase or use in this country. We have to make up our minds whether we want to buy kiwi fruit or whatever at Christmas, for example. If we increase diesel prices, we can expect a much reduced choice of commodities in the shops. I am not talking only about supermarket products; I am talking about everything.

As I said in our submission, everybody likes freight—we can tell that because freight is all around us. The problem is that people do not like to see freight moving. We expect freight to be there but we do not want to see it arriving. Until my “Beam me up, Scotty” machine is working, I will have to find another way of delivering freight. No matter what we say about modal shift, the vast majority of freight spends at least some of its time in goods vehicles. Sorry, but there ain’t an alternative at the moment.

The Convener: We talked earlier about reducing Scotland’s peripherality. One of the ways of doing that is moving more of our freight by

water. What has been the impact on your members of the reduction in the number of sailings per week of the Rosyth to Zeebrugge service? Could it be viable to access European markets directly from Scotland by water?

Gavin Scott: I believe that carryings on the Rosyth to Zeebrugge service have dropped slightly, but I do not have any hard evidence on that from my members. We know that more driver-accompanied vehicles, rather than dropped trailers, are being moved now, because it is cheaper to employ a driver who comes from Latvia, for example, to drive the vehicle once it arrives, rather than employ a local driver to do so—that goes back to a point that was made earlier.

There is a container service from Aberdeen to Norway, and we have to consider seriously the potential of Hunterston coming on line for deep-sea and feeder services. Having said that, it is all very well putting the facility in there, but the shipping lines have to use it. From Hunterston, I believe that there is potential for servicing the north of England—as far down as Manchester—as opposed to servicing places in the opposite direction. There is potential for Hunterston to relieve some of the congestion at the continental deep-water ports, but the idea has to be sold properly.

The Convener: That brings us to the end of our questions. Thank you for your evidence, which has been useful.

I welcome our second panel. We have with us Phil Flanders, director in Scotland, and Pat Glancey, area manager, for the Road Haulage Association; Ken Russell, of John G Russell (Transport) Ltd; and Margaret Thompson, transport manager for D Thompson & Son Ltd.

Phil Flanders (Road Haulage Association): I thank the committee for giving us the opportunity to come to speak to you. I hope that we will answer your questions honestly and openly.

About 10 months ago, we asked the Public Petitions Committee to look into freight and the problems that we have. If we had been told then that it would take 10 months before the Local Government and Transport Committee would be speaking to us, I would have said that that was a long time, but it has flown in fairly quickly.

The Road Haulage Association represents the hire and reward sector of the road transport industry. The bulk of our member companies are small family businesses. On average, those businesses have about seven vehicles—94 per cent of them have fewer than 10, and less than 1 per cent have more than 50. The industry is fairly fragmented and is made up of many small companies, most of which are struggling, as we

say in our submission. We are here to show that we need help and assistance and we seek acknowledgement of the fact that we have a problem.

The Convener: Thank you. The petition from your organisation was instrumental in persuading the committee to take the issue forward. In that regard, although 10 months have passed, you deserve some credit for initiating our inquiry in the first place.

Paul Martin (Glasgow Springburn) (Lab): Phil Flanders mentioned the challenges faced by many companies throughout Scotland. Are those challenges unique to Scotland or is that the experience throughout the United Kingdom? Are things worse in Scotland than they are in the rest of the UK?

Phil Flanders: English, Welsh and Northern Irish hauliers feel the same, but the situation seems to be worse in Scotland because there are longer distances between the main markets. We seem to be struggling in the face of severe competition, not just from European hauliers but from the global market in cheap imports. Everybody wants cheaper and cheaper goods and they see getting transport rates right down as one way of achieving that. UK hauliers seem to be struggling more than anybody else.

Paul Martin: Thinking about recommendations that the committee could make, obviously there are issues concerning the customers that you serve. Is there unfair competition there that could be considered? Are the customers specifically responsible?

Phil Flanders: Many hauliers have said that their customers cannot afford to pay them any more because of the competition. An example of that is a friend of mine who has a small company. Eighty per cent of his business goes to England. He has no competition in Scotland; all his competition is in England. When his transport costs go up, he cannot pass that on to his customer in England because his customer will not face the same high costs from other suppliers. He has to absorb any extra transport costs, so he looks for cheaper haulage. However, there comes a level at which the standard of service falls and business is lost. He wishes now that he was located in the centre of England; I am sure that many small manufacturing companies in Scotland are in the same position.

Paul Martin: You have identified the problem, but how can we deal with the symptoms that you have set out?

Phil Flanders: The big answer comes from Westminster, unfortunately, but if anything can be done to improve the flow of freight and to reduce some of the problems that hauliers face, such as

congestion and red tape, that would help immensely.

Paul Martin: What red tape are you referring to?

Phil Flanders: There is so much legislation now—rates, planning permission and so on—that hauliers have to jump through hoops if they want to set up a new depot. They have to prove that the proposal is environmentally friendly and that they have financial repute and so on. Ken Russell and Margaret Thompson are at the coalface, so to speak, so they can probably give you a better answer on the hoops that they have to jump through.

Ken Russell (John G Russell (Transport) Ltd): Certainly, there are issues to do with planning. Trying to open up new infrastructure to service the market is a big problem. From our point of view, one of the biggest issues, which was mentioned earlier, is that of getting the level playing field. Red tape and regulation are required, but they need to be applied evenly throughout the European market, or the UK operator will struggle to compete.

Michael McMahon: I will tread into this area tentatively, given the response that I received last week when I mentioned that my area has become synonymous with distribution and the road transport industry. Some people do not seem to welcome that, especially environmental groups, but it is a fact of life that, in the wake of the demise of the traditional coal and steel industries, my area has become very dependent on road transport, distribution and logistics. The impact of major external factors has become acutely apparent to people in the area. I received a delegation that included Pat Glancey some years ago, before the working time directive kicked in. At the time, there was concern in the industry that the Scottish Executive was not quite as on top of the issues as it might have been. In fact, when I put a question to the then transport minister, he admitted that no study had been done into the potential impact of the working time directive on the industry. Will you update us on what the impact has turned out to be?

14:45

Pat Glancey (Road Haulage Association): I went to see Mr McMahon with three hauliers. At the time, one of them ran 35 vehicles, but today he runs only six. He simply could not cope with the changing patterns in the industry as a result of the introduction of the working time regulations. His company delivered concrete blocks and cement to the building industry and he had to meet delivery times in Glasgow and Edinburgh outwith the curfew. He is the third generation to run the company, and his drivers had worked for him for a

long time, but he could not increase the rates and pay the drivers more or cut back their hours. Frankly, about nine of the drivers did not want to know about the working time directive. They said that it was a ploy by the Transport and General Workers Union and the RHA to cut their wages. That long-established company is not what it was.

Earlier, members heard that the working time directive affects mainly smaller companies, but it affects all companies to an extent, depending on the type of work that they do. Some sectors of the industry are still struggling with it, especially livestock hauliers, the multidrop boys and the timber hauliers.

Michael McMahon: Unfortunately, that is my experience too. I have been concerned about the issue for some time. There is a matter that has not been explained to my satisfaction. One would assume that the directive must be having the same impact throughout Europe. Can you explain to us why that is not the case?

Phil Flanders: Last week, we were notified that nine European countries are being taken to the European Court of Justice for non-compliance with the road transport directive. Ireland escaped by the skin of its teeth because it held a consultation and set out guidelines for the implementation of the directive. Do not quote me on this, but I think that the European Union chased France, Spain, Belgium, Holland, Portugal, Italy, Greece and one or two others. The EU went through the procedures that it has to go through and those countries are now being taken to court, but their hauliers are over here taking work from our hauliers, who are doing their best to comply.

Michael McMahon: If operators from those countries are coming over here using cheap fuel and making commercial hay in the UK at your expense, what recourse do you have? What plans are you putting in place to take account of the harsh realities?

Phil Flanders: We lobbied the EU hard to get those countries to comply. We also pressed the UK Government and encouraged it to push for that action. We worked with the Treasury and the Department for Transport; in the aftermath of the Burns report, the Treasury wanted to find out more and we will be meeting it to consider the issues that arose in the report.

One of those issues is the effect of cabotage, which means that foreign hauliers can now do domestic work in the UK. Treasury figures show that the amount of such work is small—it is 1.4 per cent of the total—but it has grown dramatically since it was first allowed in 1998. If we disregard the sectors of the UK haulage market that cabotage does not affect—for example, livestock movements, milk and petrol delivery and tippers—

we are left with the general haulage sector, which contains about 75,000 vehicles of 38 tonnes or more. Our figures show that cabotage penetration of that sector could be as high as 25 per cent. The Treasury's figure is a little lower than that, but we and the FTA are working with the Treasury to get more accurate figures.

It is the same story with costs. Many people say that costs are lower in the UK than on the continent, but we dispute that. Our figures and the FTA's figures show that, on average, our costs are 5 to 10 per cent higher than those in the main European countries—the traditional members of the EU—and up to 20 per cent higher than those in the countries that are new to the EU.

The only country that comes close to the UK for costs is Germany. One large German haulier tends to use eastern European labour at low rates. Apparently, there is a loophole that allows him to pay foreign drivers less than the going rate. His vehicles are regularly in Scotland and will sit for perhaps a week to get a load because that costs him nothing.

Michael McMahon: We have received evidence that some hauliers in Scotland are looking to bring in foreign drivers to make up for the lack of skilled drivers here. Are you aware of the impact of driver shortage?

Phil Flanders: There is a huge impact. However, any foreign driver who comes to work for a Scottish company will be paid the going rate. If the rate is £5 an hour, he will get £5 an hour; if the rate is £10 an hour, he will get £10 an hour. All companies will pay them the same as they pay Scottish or UK drivers.

Michael McMahon: So foreign drivers are not being used to undercut the position of existing drivers.

Phil Flanders: They should not be. If that is happening, it is illegal. The minimum rate is something like £5.25. That is the least that foreign drivers can be paid.

Pat Glancey: When the market opened up, we were able to go over there on our licences and foreign drivers were able to come over here on their licences. However, hauliers found that some difficulty was caused by the fact that the foreign drivers were not as well qualified as our drivers were and were not used to driving on the side of the road that we drive on. Between May and September, seven vehicles carrying full loads were overturned on the A75. Out of those seven, five were driven by drivers from the EU and one was driven by a driver from Ireland. They do not have the same knowledge and training that our drivers have. When someone goes to work for Ken Russell's company or Margaret Thompson's company, somebody goes out with them on the

road. Because foreign drivers do not have the same level of knowledge and experience, a lot of companies who took them on spent a lot of money putting them through a school and getting them assessed; others gave up on them. There are quite a few agencies, such as Eures, with which we can work to bring foreign drivers into the country. However, that can cost a lot of money and some hauliers have had their fingers burned.

Ken Russell: The skill shortage is an added problem. The industry is not perceived as a sexy industry that youngsters might want to be part of. We have to sort out that problem, and it is being tackled now. There is also the issue of the attitude toward work of young people coming out of school. The questions of whether they want to work and what they want to get out of their work have, to some extent, caused the skill shortage in Scotland. Having said that, our problems are not as severe as those that are faced in certain areas south of the border.

Michael McMahon: That is an important point.

The Convener: This morning, some members of the committee visited the Eurocentral freight terminal and we have heard about the increase in the degree to which rail and road freight are working in partnership on the provision of logistic solutions. How flexible do you find the situation with regard to working in partnership with the rail industry? Is that something that only the larger haulage operators are able to do or can all haulage operators interact with the rail industry?

Phil Flanders: In theory, all hauliers could do so. However, it is difficult for a small operator that lacks adequate resources to utilise the railways. The situation is similar to that which has arisen in relation to the Rosyth ferry. For example, a Belgian company that works in partnership with a Scottish company can put a trailer on the ferry without having to put a truck on.

If the railway could be used in such a simple way, small hauliers could consider working together to use it—indeed, I think that they would use it. However, resources currently go to larger companies, which have the know-how to move a lot of freight. I think that the opportunity of using the railway should be made available to hauliers of any size. For example, if a haulier has a load going south only once a year, he should have the option of using the railway for that.

Ken Russell: On the interaction with rail, how to get involved with rail is not a difficult problem. However, rail is different from road. It is not as straightforward as getting into a vehicle and driving down the A74 or the M6, for example. Rail provides a timetabled service with departure and arrival times, so far more planning is required to make use of it. Having said that, we are an

extensive user of rail and, in general, the service is good.

We have issues with the gauge on rail. That is a big problem, especially in Scotland. The west coast mainline between Glasgow and the midlands is as capable as any rail infrastructure in the United Kingdom. However, when we go outwith Glasgow, we have a problem. Rail gauge dictates, for example, that if we are carrying deep-sea equipment the predominant height of which is 9ft 6in, we cannot get beyond Glasgow unless the equipment is on specialist wagons. We are waiting for major infrastructure expenditure that will make enhancements to the railway.

The Convener: If we were to look at the rail side of the business, would dealing with the gauge problems be your top priority for making rail more useable for the Scottish haulage industry?

Ken Russell: I certainly think that enhancing the rail gauge in Scotland on certain arteries—for example, up to Aberdeen and Inverness—would provide a big advantage. I agree with Phil Flanders that every haulier should be able to access rail, but there is a perception issue to be overcome before the small haulier will use rail. If that could be overcome, it would make a big difference.

Margaret Thompson (D Thompson & Son Ltd): I am a small haulier. We take animal feed to farms and sand and gravel to concrete plants where there are no rails. We must go by road; it is the only way.

Fergus Ewing: Do timber hauliers have particular problems in relation to the working time directive? If so, can the witnesses describe them?

Phil Flanders: The main problem is that for most of the time when the driver is at work, three interpretations of his time are used: driving time and other duties; periods of availability; and rest time. The periods of availability kick in when the driver is waiting for a load; basically, he can dispose of his free time in whatever way he wants. However, drivers in the timber industry do not have any free time to dispose of. They drive into the forests and usually have to load the lorry themselves with cranes. When they come out and go to the sawmills or whatever, unless there is a serious delay at the mill, they will go straight in, unload and then go back out for another load. They have little opportunity to use the periods of availability facility that general hauliers and others can use. The average in the UK for periods of availability is about eight or nine hours a week. I would say that it would be pretty close to zero in the timber industry, and about the same for livestock hauliers, unless the haulier is at a market waiting for the sales to finish.

Fergus Ewing: This is obviously an important issue for rural Scotland, where timber is still a staple and important industry. Many timber hauliers operate in the Highlands. Can the RHA tell us whether it and the FTA are lobbying for a specific change for the WTD to take account of the circumstances of the timber and livestock sectors? For example, can we join you in arguing that a different interpretation of POA could be applied to them? Are there other measures that you believe the committee could advocate to do something for the plight of those sectors?

15:00

Phil Flanders: The Department for Transport is reviewing the first year of implementation of the road transport directive and is speaking to the industry, the unions and anyone else who has an interest in the matter. We are keen to highlight problems in specific sectors. One or two timber hauliers suggested that the forestry companies could man the cranes for them, which would allow the drivers to have some time off, but I do not know how far they got with that suggestion. Given the EU legislation, it would be difficult to change the situation, but I suppose it does no harm to have a go.

Fergus Ewing: Do other EU countries that have a timber harvesting industry apply the rules as rigorously as we do? I am thinking about the Baltic and Scandinavian countries that are in the EU. Has the DFT looked into that?

Phil Flanders: Last year we had a meeting with a senior civil servant in the European Parliament who works on transport matters. He said that a survey of member states' enforcement of all EU legislation had been carried out and the two countries that stood head and shoulders above the rest were the United Kingdom and Sweden—the rest lagged far behind. I do not think that good evidence on the implementation of the road transport directive has been gathered from other countries, but Britain and Sweden tend to do things right—and perhaps go a wee bit over the top at times.

Fergus Ewing: Perhaps the committee can pursue the matter. We might not have the power to change some of the rules but we should not be shy about making recommendations about what should be done.

From 1 January 2007, livestock hauliers will require a certificate of professional competence. Who will pay for that? What will happen if a haulier does not have a certificate?

Phil Flanders: The haulier will pay the cost, and if they do not have a certificate they will not be able to drive. They must get a certificate by 1 January 2007 for all international movements, but

the Department for Environment, Food and Rural Affairs has delayed introduction of the certification requirement until 2008 for domestic journeys of more than 12 hours. The system will be phased in. Certification will be a requirement not just for hauliers but for farmers and anyone else who moves livestock.

Fergus Ewing: There must be a risk that we will not be able to move livestock because the people who are required to have certificates will not all have obtained them. Is that prediction too alarmist?

Phil Flanders: This time next year will be past the time for panic. DEFRA is working hard to put out to consultation the final draft of the legislation on assessment and certification. Training is being organised; we have developed a course that covers the EU animal welfare legislation that we are talking about. Pat Glancey might know how many livestock drivers we have trained.

Pat Glancey: We are training 29 drivers today at the NFU Scotland boardroom. We ran CPC livestock driver training at the beginning of February and again a fortnight ago on Saturday; we are doing sessions today and tomorrow and there will be another session at the end of March. The course was developed by the RHA in conjunction with Eddie Harper, the chairman of our livestock carriers group, and has been checked and amended by DEFRA and the Scottish Executive Environment and Rural Affairs Department. The course will bring drivers up to date on forthcoming legislation. When they attend the independent assessment, which will not be carried out by the RHA, we hope that the training and the workbook that we provide in the one-day seminar will help them to get through their assessment and be certificated in time for January. If they are not certificated, we will have a slight problem.

We are currently waiting for the verification of assessors, which must come from DEFRA and SEERAD. We have participated in the training of assessors by making premises available and bringing in a verifier. We brought in Eddie Harper, to help to train the assessors and we hope that they are up to speed and ready to go. As Phil Flanders said, we are just waiting on the final draft from DEFRA via SEERAD, and then the assessors can start to assess drivers. By the end of the month, we will have provided training for some 179 livestock drivers in Scotland who are waiting to be assessed.

Fergus Ewing: I commend your efforts to implement yet more regulation.

I want to move on and discuss the state of the roads and the impact of their state on members of the Road Haulage Association. Perhaps we could

also hear about the direct experiences of the hauliers who are here. What are your views on the state of the road network in Scotland? How do the obvious problems with roads—I refer to potholes, the lack of sufficient motorways and dual carriageways and so on—affect your businesses?

Margaret Thompson: A pothole is a jaggy hole in the road. If a person puts their washing into a washing-machine that has a jaggy hole in its drum, how will their washing come out? A pothole will have a similar effect on the wall of a vehicle's tyre—I am not talking about the tyre's surface. Our drivers' tyres are regularly punctured and windscreens are cracked. That is not only a huge expense for us; if a windscreen is cracked and VOSA catches that crack, the vehicle will be put off the road until the crack is repaired.

On congestion, drivers can easily spend two hours on the Edinburgh bypass when road works are being carried out. We can lose a load—perhaps two loads—a day purely as a result of congestion that has been caused by the condition of a road.

I speak not only as a transport manager when I say that potholes in our roads are dangerous. We put our drivers into a working environment. Smoking is a health hazard, but our roads are a much worse hazard. After March, if our drivers come up from England, they will be unable to smoke in their cabs when they reach the Scottish Borders, and they will have no choice about driving on substandard roads. I discovered something that is an absolute disgrace. The cost of repairing a kilometre of trunk road is £58,000. In England, the cost of repairing non-trunk roads is £10,000 per kilometre, but we spend £6,000 per kilometre in Scotland. What is the difference? I am thinking not only about our drivers, but about all of us, including our children.

Ken Russell: We not only spend less in Scotland, but we suffer because people have to repair roads more regularly, which creates major delays. There is no doubt that Scotland's roads are in a poor condition, although I do not think that they are an awful lot worse than those in many countries in Europe. Scotland has by no means the worst roads in Europe, although some countries have much better roads. However, there is a major problem for the road transport industry. Road works generate accidents and delays.

Fergus Ewing: What is the relationship between the state of the roads and accidents? Would spending more money on improving our roads be likely to contribute in a real sense towards reducing the number of accidents, which are hugely expensive in human and financial terms? Is that your perception? I will put things in context. I mentioned the figure of £4 billion to Mr Scott earlier. That is an official estimate by the

Society of Chief Officers of Transportation in Scotland—which consists of local authority road engineering experts—of the total cost simply to bring the road network up to standard, without creating new roads. Its analysis is that we are spending only just over half that amount, so a serious gap would seem to be emerging. If the work is not done when it should be done, the cost of the work escalates. The effect of the weather is to increase the size of potholes; simply leaving repairs for a year or so serves only to escalate the problem.

I return to the question of accidents. If there was a significant increase in spend to address the pothole problem, would that lead to a reduction in the number of accidents and fatalities that we see on our roads? Is that your experience as hauliers?

Margaret Thompson: Absolutely. If the roads were to be repaired and the surfaces made smooth, there is no doubt that there would be a reduction. Let us face it, if someone is tired, they can hit a pothole and end up right across the carriageway. That is what causes accidents and yet the word "pothole" is never seen on a death certificate. There is no doubt that potholes cause deaths. A fatal road accident in Scotland costs the country £1.3 million.

Fergus Ewing: So you would say that it is the state of the roads and not driver error that is the principal cause of significant road accidents. Is that the experience of all the panel?

Ken Russell: That is a difficult call to make. There is no doubt that the state of the roads compounds the potential for incident. Many accidents are created by a sudden slowing of traffic. When there are road works, if someone is not on their game in terms of their concentration, they will have to brake suddenly. That is what causes incidents.

The Convener: I am sure that we can get the information elsewhere, but do you have any idea of the proportion of fatal road accidents that involve a heavy goods vehicle?

Ken Russell: I do not know.

Phil Flanders: There is a report. We can find the information and forward it to the committee.

Pat Glancey: I think that we gave a copy to the Public Petitions Committee when we gave evidence on petition PE876 last year. The report was published by the Department for Transport last August. We have copies in the office; I will look one out for the committee.

The Convener: I was sure that the information exists. I just wondered whether you knew the figure off hand.

David McLetchie: I have some questions on the certificate of professional competence. They follow on from Fergus Ewing's questions. As I understand it, the RHA hopes to have completed the certification of 179 drivers by the end of February. Is that correct?

Pat Glancey: By the end of March.

David McLetchie: Right. How many more drivers will you need to have trained by the end of the year? I am thinking of the deadline, which kicks in on 1 January.

Pat Glancey: Our training is aimed at professional hauliers—those with vehicles over 3.5 tonnes—and not farmers. We are considering the issue predominantly from the perspective that the biggest impact of the legislation, when it is introduced at the beginning of next year, will be on professional hauliers who are involved in the movement of animals.

We estimate that only about a few thousand farmers in Scotland and probably only 10,000 or 15,000 in England and the rest of the country will exceed the 65km threshold, but we have not quantified the figure. We deal only with professional livestock hauliers. That said, we firmly believe that any farmer with a vehicle of over 3.5 tonnes that is used for the movement of livestock—including his own—should be required to have the certificate. After all, he is moving beasts just as the professional haulier is doing.

David McLetchie: I seek further clarification. As I understand it, if a driver is moving animals internationally, they will have to have the certificate by 1 January 2007.

Pat Glancey: Yes.

David McLetchie: The legislation is being phased in and, from the following year, domestic movements of livestock will be covered.

Pat Glancey: Yes.

David McLetchie: So I assume that the training programmes that you are providing for your members are aimed at drivers whose livestock movements have an international dimension.

Pat Glancey: Yes. We have opened up the training to all livestock hauliers, irrespective of whether they are a member of the RHA. The vast majority of professional livestock hauliers are RHA members.

Phil Flanders: When we started to develop the programme, the legislation was due to come in for all from January next year. Earlier this year, DEFRA changed the goalposts and made it a bit more flexible. It is purely people who go abroad who will have to have the CPC by 1 January 2007, which has taken a bit of pressure off the industry. I do not know whether anybody knows the exact

number of professional drivers who will need to be trained, but I would be surprised if it is less than 3,500 to 4,000 throughout the UK, which would be about 400 to 500 in Scotland.

Pat Glancey: They will all need to have a CPC by 1 January 2008.

15:15

David McLetchie: Have you been in discussions with the NFU in Scotland about the need for certification? Is that well known in the farming industry?

Pat Glancey: When the legislation first came out in December 2004, the RHA spoke to the NFU, Quality Meat Scotland and various others. We considered what we could do and how far we could go down the line. The professional livestock haulier with a vehicle weighing more than 3.5 tonnes will have to have the CPC with 19 segments in it, whereas farmers who transport beasts less than 65km will not. Although the competencies remain the same, they will be there to a lesser degree for the farmer than for the professional haulier. However, by the same token, to come into line with the European legislation, farmers will still need a certificate.

David McLetchie: How long does it take to go through one of these training courses and how much does it cost?

Pat Glancey: The training course that we have devised, which we hold at our office at Ingliston, lasts one day. We applied for European social fund money. Mr Flanders and I and a few others wrote "War and Peace" numerous times. We doubled it, trebled it, rewrote it and came back to do it again. We eventually received some money in January last year, which was to be used by the end of the year. Unfortunately, DEFRA did not bring out guidance so, as the money was available only until the end of December, we could not do the training. We applied for a six-month extension and were given three months. We are rushing to hold the course on Saturdays and other days to get it done by the end of March. A one-day course, including extensive notes, workbook and lunch, costs £35 plus VAT.

David McLetchie: But you have got money only up until the end of March to complete the process.

Pat Glancey: Yes.

David McLetchie: You cannot do it after 1 April.

Pat Glancey: No.

Phil Flanders: The commercial rate for a similar course would be at least £200, I would expect.

Pat Glancey: It would be about £260.

We will sit down at the end of March and evaluate the course.

Phil Flanders: The drivers do not just come in for one day; they have to do a lot of studying. Continuous learning—I think that that is what it is called—is the flavour of the month. Most drivers have the experience, but the course formalises it. Hopefully they will study, think and learn, and when they have the assessment, passing it should not be a problem for them.

Pat Glancey: Before we went ahead with the course, we took it to SEERAD and DEFRA. Our course was due to begin exactly a month ago, on 7 and 8 February. On the Wednesday night before it was due to begin, SEERAD changed 11 pages in the workbook, although we managed to get through. The workbook is on-going. It is a four-ring binder, which is quite sturdily made, so that any future legislation and so on can be sent out to drivers and included. For example, the package includes regulations on the welfare of animals, cleansing and disinfecting that came out on 27 January this year in Scotland, whereas England still looks to 2003 regulations. We hope that England will build on those. We speak to the drivers rather than to the companies, and they are quite happy that some recognised training now exists. That is how we hope to go down the line.

We set out to provide the training to help the industry to meet the European qualification requirements. Sadly, we could not do it within the time allowed, and we asked for a six-month extension but did not get it. We will be in Aberdeen on Saturday 25 March, to train the last 40-odd drivers we will be able to fit in before the end of the month.

David McLetchie: Then we will have to think again about how to train and certify other drivers.

Pat Glancey: We have run out of time and money.

Phil Flanders: We have trained four assessors and are in the process of training a trainer, which should help to cover Scotland. Eddie Harper, who is one of the best livestock experts in Europe, will be involved with the Road Haulage Association in rolling out that training throughout the UK.

David McLetchie: Your submission refers to the European vocational training directive. Is that an extension of the livestock driver certification or does it apply to other sectors?

Phil Flanders: It is over and above that. We would like to think that the livestock drivers could count that as part of their on-going training but, until the Government produces its response to the consultation, we do not know about that.

David McLetchie: So it is another level entirely.

Phil Flanders: It could be, yes.

David McLetchie: So having a livestock qualification, even if that is your vocation, does not necessarily give you the new qualification.

Phil Flanders: In many parts of the industry, you need to be certified if you are carrying dangerous goods, and you may need certain training for other driving work, including hazardous packages training, health and safety training or Hiab training. As far as we are aware, that will be over and above the compulsory training required under the directive, but the Government is due to respond next month, so we should find out then what will be facing us in 2009.

David McLetchie: I want to ask a couple of other questions about costs and fuel. You may not be able to answer them off the top of your head, but it would be quite useful for us to know. Your submission refers to foreign-registered vehicles filling up with fuel and not purchasing anything in this country, and you say that the cost of filling up elsewhere is about £300 lower than it would be here, so that obviously puts us at a competitive disadvantage. Can you tell us what impact that has on the overall cost or profitability of the journey to an operator and where that £300 differential fits into the equation, relative to what you are being paid to do the job?

Pat Glancey: When we went to see Mr Darling at the end of October, we had three hauliers with us. One of them was a small haulier from Ayrshire who had worked for a company in the central belt. He took containers and curtain-side material down to England and was getting £460, but a Polish haulier came in and did the job for £200.

David McLetchie: So his earnings for the trip were £460 against £200.

Pat Glancey: That small haulier is no longer in business. He had only three vehicles, but he needed that amount of money to keep his trucks going. He sold his trucks and now works for a haulier in the south of Scotland. That is how the difference in fuel costs can work out. The Polish haulier was touting to see what work he could get, and he was prepared to take £210 to go south because he had fuel in his tank. Rather than sitting here and waiting for another load, £210 made it worthwhile for him to make the trip, whereas the other man needed £400 because he could not risk running back empty. That is the impact that the differential in fuel costs can have.

David McLetchie: That is a helpful illustration.

The Convener: How far can a lorry travel on 1,500 litres? What is the typical miles-per-litre figure?

Phil Flanders: It varies between 7 and 8 miles for a 40 to 42-tonner.

The Convener: Is that miles per litre or miles per gallon?

Ken Russell: That is miles per gallon.

Phil Flanders: On some really heavy jobs, fewer than 6 miles per gallon might be achieved. Two months ago, we spoke to a haulier in Aberdeen who had worked out that he achieves 5.82 miles per gallon. However, on average, the full tank that the continentals would have would allow them to travel all the way to John o' Groats from Dover, all the way back and for 400 or 500 miles in between. Roughly 2,800 miles can be travelled on a full tank.

Ken Russell: The cost of fuel amounts to between 25 and 30 per cent of running costs.

Dr Sylvia Jackson (Stirling) (Lab): I have a few questions along the same lines. It was said that smaller timber hauliers might be able to work together more constructively with English Welsh & Scottish Railway or whatever. On the hauliers' behalf, in what negotiations have you taken part to allow them to work better with rail operators?

Phil Flanders: To load trailers in forests, most timber hauliers have Hiab cranes. When they go into a forest, the timber is cut and ready to pick up. The driver jumps out of the cab with the engine still running, jumps on his crane and starts to put the logs on the trailer. Hauliers hoped that timber companies could supply a person to load the timber while the driver had a rest or took his break, which would give him more flexibility. The other option was a separate crane, but that would add to cost and could make a whole timber operation—not just the haulier's element—uncompetitive. However, we hope that the issue can be followed up.

Dr Jackson: Perhaps I misunderstood you. You were talking about a broader issue than timber haulage. You talked about how small hauliers might be helped to link up with rail. What negotiations have you had on their behalf to assist them to use rail?

Phil Flanders: Two years ago, we invited Freightliner and EWS to our hauliers' briefings to explain the virtues of their services. To be fair, they did a reasonably good job. The big problem is that hauliers take a lot of convincing. Last year, we tried to instigate a trial whereby a small haulier would use the railways, but the number of obstacles was unbelievable.

One job had no fixed collection or delivery time so, one week, collection could be at lunch time for delivery the next morning at 8 or 9, but another week, the pick-up could be at 3 o'clock in the afternoon for delivery at 7 o'clock the next morning. Such an arrangement does not suit a railway journey. Another job involved goods that

were more bulky than heavy. We cannot fit into a railway container what can fit into a curtain-sider road vehicle, so a second railway container must be used, although it is not filled completely. That raises costs.

Issues such as those arose but, in the long term, if the rail freight industry and the haulage industry work together, we can produce a simple guide that tells people who want to use the railways what type of wagon and container they need, the amount of goods that will fit, what the cost will be and what the number to phone is if they want to go from Aberdeen to wherever. We should make that easy and give people guidance.

Dr Jackson: I just wanted to have an idea of the difficulties.

You talked about livestock hauliers. Do you accept that carrying livestock nowadays can be as dangerous as carrying hazardous materials, given the problems that we have had with BSE and foot-and-mouth and the possible problems of avian flu? Do you agree that the training that we have discussed is needed?

Pat Glancey: Most of the livestock hauliers in Scotland and Northern Ireland are very good and professional. During the foot-and-mouth crisis, our boys did everything right. The 19 competencies in the legislation are meant to catch not bad boys in Scotland and Northern Ireland or some of the boys in England, but the boys in Europe who never wash their vehicles from one year to the next.

Our industry is very good and has complied well. The regulations on cleansing and disinfecting say that the vehicle must be cleansed and disinfected within 24 hours of the previous load. The majority of people in our industry do that after every journey, because they have to, but the facilities in markets and abattoirs are often only a hose and a brush. We should have proper facilities such as steam cleaners.

We appreciate that livestock hauliers should be certificated; the amount of work that they do should be acknowledged. You cannot take a man off the buroo and put him in a lorry with 300 sheep in the back; people need experience for that. We can condense the legislation on the 19 competencies into a one-day training programme. We have spoken to the hauliers over the years and we know that the majority of them are good, but they need to be updated on legislation and what they are required to do.

15:30

Dr Jackson: That is what I was trying to get at. Are you saying that having a one-day training programme and continuous updating is about right, given some of the issues that could arise?

Pat Glancey: We might have to look into that for attendants on farms and people who are handling livestock on boats from Shetland or Orkney. However, given what professional livestock hauliers have gone through, from BSE to foot-and-mouth, that would be about right. I cannot hold up my hands and say that 100 per cent of them are compliant with legislation, but the vast majority of them are fully aware.

It is about updating them on what is coming in, to give them a head start. If they know that they are going to have to have an independent assessment, they will have the answers. However, the answers will not just be handed to them; they will have had the one-day training seminar.

The terminology that is used is standard vehicles and upgraded vehicles. When we took the workbook that we use to SEERAD, it changed the terminology to long journeys and short journeys. The original terminology is in the book about five times. We took out four references and left one in, so that during the one-day course, someone would say that we had made a mistake. We had not made a mistake; we left it in to ensure that the hauliers picked it up.

Dr Jackson: The other issue is the welfare of animals that are being transported. You will know that there has been concern, not about what is happening here but about what is happening in other parts of Europe.

Pat Glancey: At the time of foot-and-mouth—it was unfortunate that it had to happen in this country—one or two of the smaller hauliers went out of business, but the majority of people who take the course have driven livestock vehicles. On the form that they have to fill in for us, we ask them how long they have been driving livestock vehicles. None of them has been doing it for two or three months; they have all been doing it for years. They have the experience and are simply updating their skills. People talk about the welfare of animals, but the most important person on the float is the driver.

Dr Jackson: Absolutely.

I do not want to stir it, but the EWS submission states:

“Rail freight pays the incremental wear and tear costs that it imposes on the rail network, whereas road hauliers do not.”

Pat Glancey: That is a matter of opinion and we do not share that opinion.

Dr Jackson: I did not think that you would. What is your opinion?

Phil Flanders: Gavin Scott said earlier that the overall tax burden on UK road users is in excess of £30 billion and less than £10 billion is

reinvested in the roads. Motorists and hauliers pay their share.

Dr Jackson: I thought that I would give you a chance to come back on that.

The Convener: In your written submission, you refer to the shortage of skilled workers, which you believe will be worsened by the working time directive. Training is one matter that the devolved Scottish Parliament could address. Are there any issues that you would ask us to consider on training and increased supply of drivers and have you raised them with the Scottish Executive?

Phil Flanders: The Executive has been involved in the Scottish road haulage modernisation fund along with Skills for Logistics, the Freight Transport Association and the Road Haulage Association since late 2001 or early 2002. Up to yesterday, we have trained more than 1,000 new drivers from Executive funding. There are still a couple of years at least of funding left and we hope that the Executive will continue the funding until we can see the end of the tunnel on the driver shortage.

The Executive has been really helpful in considering how it can help the industry, not only through the modernisation fund. We also have the driver trainer simulator and we have introduced the safe and fuel-efficient driving—SAFED—training, which, we hope, will help to reduce fuel consumption by 10 to 15 per cent. That will benefit not only the haulier, but the environment through less pollution.

The Convener: What do you estimate to be the size of the skills shortage in Scotland in haulage?

Phil Flanders: Two or three years ago, it was in the region of 4,000 drivers, which was roughly 10 per cent of the driver pool. The average age for drivers is over 50—one company in Aberdeen has seven drivers, who are all over 60—so there is a serious problem at the higher end. The issue is how to get drivers into the industry at a young enough age. I think that more than 100 of the 1,000 new drivers that I mentioned came through the young drivers scheme, which brings under-21s into the industry. The big problem with new drivers is that the insurance companies do not look too kindly on a driver who is under 25 and has less than two years' experience; they tend to load the premiums. Perhaps you could help us by twisting somebody's arm to say that all drivers should be treated the same, particularly as the new legislation on age discrimination will come into force by the end of the year.

The Convener: I have a 17-year-old son, so I can appreciate the difficulties of getting insurance.

Ken Russell: The problem is not only with drivers; we also have an issue with engineers. It is

proving difficult to get apprentices to come through the workshops and to hold on to them.

The Convener: That brings us to the end of the questions for this panel of witnesses. I thank all four of them for their evidence. It has been useful and I am sure that it will help to form some of our opinions when we come to write our report.

Fergus Ewing: No one has threatened to run us over yet, unlike last week. That is a step forward, is it not?

The Convener: It is just as well, given that the people we have just heard from have lorries.

We move on to our third panel of witnesses. I welcome to the committee Mike Hogg, who is the general manager of performance and operations development for EWS, and Kay Walls, who is the commercial manager for Scotland for Freightliner Group Ltd. I see that we have also been joined by Graham Meiklejohn, but we do not have a name-plate for him.

I give the witnesses the opportunity to make some introductory remarks.

Mike Hogg (English Welsh & Scottish Railway Ltd): We are reasonably well known. EWS is currently the largest rail freight company in the UK and is owned mainly by New Zealand, American and Canadian financial interests. It sprung from the British Rail sell-off in 1996, so it is 10 years old this month. We are extremely active in Scotland, as we are in the whole of the north of England, and we collaborate with the rest of the industry to run more effectively and efficiently, bring our cost base down and improve our quality of service. We may discuss that in a moment or two.

Kay Walls (Freightliner Group Ltd): After privatisation of the rail industry, Freightliner was subject to a three-way buy-out involving 3i and Electra. The other third of the company was bought by management and staff. That position changed last January, and we are now wholly owned by 3i and Electra. We have entered our 40th year as Freightliner. I work for the container division, which was the earliest part of Freightliner. We have migrated into the bulk haulage market as well, but the core business is still the container market.

The Convener: Thanks very much. I open up the discussion to questions from members.

Paul Martin: What is the panel's experience of co-operation with the rail network? One of the main issues in our inquiry is the need to move as much freight as possible from the roads to rail. That requires some co-operation and development on the part of the operators. What is your front-line experience in that respect?

Mike Hogg: I will bat first. Fundamentally, the railway corporate has grown up significantly in the past five years. The demise of Railtrack for a variety of reasons appears to have been a watershed. The maturity of discussion and the collaboration that I am experiencing in EWS—which, I am sure, Kay Walls is also experiencing in Freightliner—would not have been seen five years ago. That applies not just to the network provider, Network Rail, but to other users of the network and other stakeholder groups.

I have been encouraged, over the past three years, by the degree of co-operation that exists. It is not easy to establish—it is not a rollover—and hard financial sums are involved, but people at Network Rail are prepared to recognise my needs, as a customer, and I am prepared to recognise the needs of the passenger operators in Scotland as we develop a corporate railway.

Kay Walls: I echo what Mike Hogg said. There is an added dimension in Scotland, as there is an accepted understanding that those who are involved in the rail industry up here work closely together. We have a different situation in Scotland in that there are far fewer players. It is easy for Great North Eastern Railway, First ScotRail, Virgin, EWS, Freightliner, GB Railfreight and Direct Rail Services to sit down together. We cover quite a small area, and we co-operate very well up here.

Paul Martin: I suppose it is good that everyone is talking to each other and that we are all co-operating, but what has that meant in terms of increased loads during that three-year period? What percentage has moved from road to rail?

Kay Walls: There has been a 50 per cent increase in rail freight over the past five years. A lot of that has been domestic traffic. Supermarket traffic for domestic markets has gone on to rail. There is also a lot more aggregate traffic on rail. There has been a gradual movement across.

I attribute a lot of that movement to the fact that the road haulage industry has got involved and has embraced rail. John G Russell was probably the first road haulier to do it, but W H Malcolm has entered the market and is making it work. That is interesting other people. As far as I am concerned, that is welcome.

Paul Martin: Do you have a wish list that you want the Executive to look at, in terms of your co-operation with the rail industry and the rail networks? What could happen to improve that? Fifty per cent is a significant increase, but we want that figure to continue to increase.

Mike Hogg: Some things can be done for no cost—and it is not often that I can say that. If you analyse the way in which the rail system is used in the UK or in Scotland, you will find that a more

intelligent use of that system—by thinking through how the track is to be maintained and when the trains are to be run—can give a significant capacity increase for no cost. An example of that in recent months has been the flows of coal for England out of Ayrshire and Hunterston. There has been a 40 per cent increase in capacity without anything having to be done to the infrastructure on which the trains run. Simply by considering how work to maintain the track is undertaken and the size of trains that Kay Walls or I run, we have achieved 40 per cent greater use of the golden asset, which is the path.

Following on from that, the key issues that we face, which are reflected in our submission, are those of axle load and gauge. Gauge has already been referred to briefly in the presentation by our road haulage colleagues. Fundamentally, Network Rail and funding parties must deal with significant issues to increase the gauge away from the west coast main line into Glasgow, up to Aberdeen, further north from Aberdeen and at other locations such as Stranraer. A bridge and platform amendment process is needed, which can be expensive. However, again through the philosophy of not just accepting the engineers' initial view but challenging the parameters, our experience is that, of every 10 structures that may be seen to fall foul of gauge, freight trains could pass over nine of them at an adequate speed without any work being required. The matter is often that simple. However, significant work on gauge is required, particularly with tunnels.

15:45

On axle load, the philosophy that we now espouse is that we should move away from the UK limit of 25.5 tonnes per axle, which in the trade is called RA10—route availability 10—toward the North American limit of 35 tonnes per axle. Most lines in Scotland are at RA10, although some are more lightly laid, particularly on the fringes in the west Highlands and the far north, where the lines are significantly less strong. However, if the freight operator and the Network Rail provider are prepared to accept a speed restriction to mitigate the effect of heavy axle load on bridges and other structures, we can take heavier wagons on routes with lower RA and even on to the fringes of the Scottish network.

We have a lot to play for. As members may well be aware, a route utilisation study is being carried out within the railway industry, including in Scotland, which is overlaid by a freight RUS. The study examines all the parameters, including gauge, weight, length and haulage capacity of locomotives to try to ensure that growth is achieved with minimum infrastructure change and cost.

Paul Martin: As we discussed earlier during our visit, First ScotRail submitted a document to the committee that raised concerns about the effect of freight operations on passenger timetables. Will you comment on that?

Mike Hogg: I am happy to deal with that. As I said, one of the successes in the railway industry is that it has grown up and people now talk far more than we used to. That includes our relationship with First ScotRail. In the past six months, we have had several meetings with First ScotRail and Network Rail, both of which are key bodies. I probably also speak for Kay Walls on that. However, we need to be careful with the figures that the committee has before it, which run up to 8 September last year and which are the raw or non-adjusted figures. It is worth going into a little detail, because perceptions are important in the matter, on which I will comment in a moment.

The TRUST delay attribution system, which is the internal railway mechanism for allocating delay to the causer of the delay, works on two levels. First, it works in the signal boxes and control office, to the minute. A clerk attributes the cause of a delay to a certain operator or to Network Rail. On top of that, there is the level 2 process, which is a review of the attribution. The process is bureaucratic and needs to be streamlined—we are working on that in another place—but the review is to decide to whom the attribution should have been made.

The figures that I think the committee has seen are about 30 per cent overstated. The effect on ScotRail of EWS operations has reduced by 35 per cent since September last year. The reason for that might sound so simplistic that it is hardly worth saying, but I will say it nevertheless. Apart from through the general nice warm collaboration to which I referred, we have achieved the reduction by retiming EWS trains to reflect the performance attributes of those trains. In other words, if that assessment tells us that it will take 15 minutes to run a train from Winchburgh to Polmont, we allow 15 minutes rather than 12 minutes for that journey. The process is that simple, but if it is applied over the whole railway network, it provides some stunning results.

One such result applies to EWS's operation of 12 trains a day—that figure could rise to 15—between Hunterston and Longannet, which take a significant flow of coal across the central belt of Scotland. There has been a highly significant 35 per cent reduction in the knock-on delay that those trains cause ScotRail or any other operator. Such improvements can be made. We are following that programme throughout the UK.

The Convener: Before I bring in colleagues, I want to return to what Kay Walls said about the

growth in rail freight. I think you said that there has been 50 per cent growth since 2001.

Kay Walls: Yes.

The Convener: I want to clarify what that figure means. The "Scottish Transport Statistics" figures show that there was a drop-off in rail freight between 2001 and 2003. Has that drop-off been recovered—are we 50 per cent above the 2001 peak?

Kay Walls: No. We are probably talking about the pre-Hatfield levels in 2000. I am not sure whether the figure relates to tonne miles or tonnes lifted.

The Convener: It would be useful to get some detail on that, so that we can ensure that we are using comparable figures.

Hatfield was obviously one of the factors in the decrease in rail freight that took place from 2001. Was Hatfield the main factor behind that drop-off or did the channel tunnel problems, which related to the refugee camp in France, have a significant part to play?

Kay Walls: I will let Mike Hogg talk about the channel tunnel problems because Freightliner has had no involvement with the channel tunnel.

As far as Freightliner's intermodal business out of Scotland is concerned, in 1999 we moved 113,000 containers through Coatbridge terminal, but by 2002 that figure had fallen to 55,000. Hatfield had a huge effect on our business. The difficulty was that its impact went on for so long. If the problems had been sorted out in a week or 10 days, customers would have stuck with us, but they were not. The repercussions of Hatfield were felt from October 2000 until the following Easter. We could no longer offer an overnight service to a port. Previously, a whisky bond that was panicking about getting a box delivered on time would load it on a Tuesday knowing that Freightliner would have it in the dock to meet the ship on Wednesday morning. Once Hatfield hit, we could no longer offer that service, so such companies had no option but to go elsewhere.

A freight business is not like a passenger business. If someone gets up and thinks that the trains are running fine, they will be happy to jump on a train, but once a freight customer is lost, they are lost. We are starting to build the business back up, but it has been a long haul. However, it is not all doom and gloom. There is good news in other sectors; we were hammered only in one sector. There is growth—other rail freight operators are on the go and are picking up business.

Mike Hogg: As far as the channel tunnel is concerned, the problem with illegal immigrants reduced the traffic to a third of what it had been. The average number of trains per day came down

from more than 20 to fewer than 10. At the height of the crisis, we virtually stopped running trains through the tunnel; we operated only one or two trains a day. The operation has recovered—if you can call it that—to the extent that we now run eight trains a day. That is hardly a good utilisation of an asset that each day has available five or six times that number of paths for freight traffic.

As members may have heard this morning, EWS is heavily engaged in work with Eurotunnel and SNCF to change the cost base so that we have a viable operation through the tunnel. In November, the minimum usage charge agreement between the French and UK Governments, which has been in place for 12 years, runs out. We are also working to ensure that quality of service through the tunnel is improved. In effect, we are running three different railways within a radius of 30 or 40 miles.

This morning, I was on the phone to SNCF and Eurotunnel in Paris in an effort to ensure that the flow through the tunnel is streamlined to make it smooth. I want the channel tunnel to become the Simplon or the Gotthard of this side of Europe. Although it is a place in which care needs to be exercised, the present constraints are not necessary. Those changes will have an effect on Scotland because there are good long-haul routes to and from Scotland, from which we should be able to make money again.

Fergus Ewing: We were given an explanation this morning, on the visit to Euroterminal that you kindly provided for us, about the usage of the channel. I understand that, at present, the UK Government pays EWS £26.5 million towards the minimum user charge, but that that arrangement ends in November and the long-term future of EWS's channel tunnel service is in doubt as EWS will not pay that amount of money because it is far too much. What stage has been reached in the effort to solve the problem? It seems ludicrous that the UK Government has not stepped in to try to resolve the problem, which could lead to the end of Scottish freight going to Europe by train.

Mike Hogg: It is certainly the case that the traffic could not stand that level of cost. I have commented briefly on the reasons behind the huge cost to go a few miles down a track, albeit in a specialised environment. EWS's position is that it wishes to retain and build its channel tunnel traffic; it recently started operations in France and will start them in Germany and Belgium by the end of the calendar year. One of the reasons for starting operations at the other side of the tunnel is to provide the traffic base upon which to grow its business, not only in intermodal train services but in bulk traffic through the tunnel. It is therefore paramount that the two railway administrations, EWS and SNCF, can agree with Eurotunnel—

whoever the major shareholder of Eurotunnel is by November—a commercially acceptable rate for traversing the tunnel.

This is a big issue, but the stance that we are taking is certainly not to walk away from use of the tunnel; we perhaps had an excuse during the illegals crisis to walk away from it, but we did not do so. We stuck with it because we believe that it has a significant future role to play in supporting our operations in Europe and in supporting long-distance traffic into Britain.

Fergus Ewing: I appreciate EWS's desire to provide the service to Scottish manufacturers to enable them to get their goods to Europe. As a nationalist, I am happy that EWS is living up to the lion on its logo, but I am astonished that the Government has not stepped in to sort out the problem. How many more months can you go without running into the problem that you cannot plan ahead? What is the Government—I mean the Westminster Government—doing to sort out the problem? Is it willing to see Scottish freight services to Europe sacrificed because it is dithering and delaying instead of finding a solution? Are we to be cut off, literally, from Europe by the Labour Government in London because it has not sorted out the problem? We need to know about the problem, so it is useful that you have come along today to explain the detail to us.

Mike Hogg: The answer to your original question is that we have about four months to do a deal. We have a significant interface with the Department for Transport so that we can ensure that our requirements to continue the traffic are understood by the Government. I have no doubt that our planning director, who attends that forum, puts the case for the north of England or north of Britain traffic as strongly as he can. The matter is one of the major policy issues on our plate this summer.

Fergus Ewing: So it is over to Mr Darling to deliver. We wait in hope and expectation.

Mike Hogg: We will do our damndest.

16:00

Fergus Ewing: I do not know whether other members want to pursue the issue.

If I may, convener, I want to move on to an Inverness issue. In my constituency, a great number of lorries trundle up the A9 to Inverness. That is contentious as it would be desirable if those lorries, many of which are owned by Tesco—they are among the ones that in large part obey the 40mph speed limit—stopped using the roads and the freight went by rail.

Safeway had an FFG arrangement, but that ceased after Morrisons took it over. Morrisons argues, fairly, that it does not have the bulk to justify the arrangement. My understanding is that Tesco is looking at restoring an arrangement and that there might be the possibility of a consortium arrangement that involves leading companies in Inverness joining forces. I very much hope that that happens for the sake of Inverness, the environment and road users.

What is EWS's position? Would you like to see a deal? When might one be delivered? I am sceptical, as are other members, about the freight facilities grant. What are your views about the efficacy of that method as a tool to shift freight from road to rail?

Mike Hogg: On what was called the Safeway flyer, which was seen as a high-profile train in the railway community in Scotland until its recent demise, I am pleased to say that discussions with Tesco continue and are proving quite successful to the extent that the minutiae of the timetabling are currently being assessed with Tesco's distribution side. EWS is confident that we will be able to relaunch a service between Mossend and Inverness for Tesco this year. I cannot give you a month because it is work in progress, but I feel confident that it will be successful.

It is true that the market is looking at what the market leader Tesco is doing. We are certainly planning to have capacity on the train for other than just Tesco boxes as and when it commences running. I am very bullish about that—I sincerely believe that we will see an overnight service for Tesco on that axis before too many months are over.

I do not believe that that train will be extended towards the Thurso, Wick and islands market, but I understand that a Homebase store has recently opened at Thurso and we have been asked to stock it by train, which we will do, although a daily service will not be a runner. However, that is just a detail and the committee does not want to hear about just one train.

EWS believes that the freight facilities grant philosophy is highly supported. Members might say, "Well you would say that," but if you look at the economics of freight, it is probably better to support the facility than to support the access charging or the running of the train. The train should be able to stand on its own feet within the parameters with which we work. If the facility has to be provided by the state, the customer or whomever, the assistance that might be provided by the state could allow a facility to exist when the capital cost could not otherwise be justified.

Fergus Ewing: That is very good news and I am grateful for that comprehensive answer. Can you tell me what went wrong at Kinbrace?

Mike Hogg: Having sat in the public gallery and listened to the discussion about road fuel, drivers' hours and working time directives, my view is that Kinbrace was perhaps the right idea at the wrong time. Costs crowded into the road and extraction part of the operation, but they did not crowd into the rail part of the operation. In fact, the rail rates that we quoted were seen as comfortably competitive by the customer. EWS is sad that things did not carry on as they were predicted to, but we understand that the main problem was the cost-base argument away from rail.

Wearing heart on sleeve, there were a few occasions when the train did not turn up as planned. And there were a few occasions when the timber was not there when the train arrived. We need a bit more co-ordination. I suggest to the committee that that is a second-order issue that we can cope with, and have a track record of coping with, but the cost base of getting from the forest to the train appears to need review.

Dr Jackson: Hard on the heels of that, I ask about the Crianlarich situation. I understand that, in the light of what you said about the channel tunnel, Tesco trains and Homebase, that is small beer but, as Graham Meiklejohn knows from previous and on-going discussions with the minister, it seems that negotiations with Network Rail and the train companies are not only trying to achieve good will and flexibility, they might also achieve some infrastructure. How do we get round some of those issues?

They might seem small-time matters compared with the channel tunnel route and so on, but they are really big issues for small communities as they try to ensure that train times are reasonable, not 2 o'clock or 3 o'clock in the morning when people might get woken up by shunting and so on. How do we get people to talk a bit more to one another to get the infrastructure issues sorted out?

Mike Hogg: That will always be the big thing to the customer. We must recognise that although the customer might be a small player in the great, global market, it is his business. We must react to that.

The west Highland line has a chequered history on timber, as you will be aware. It has gone through feast and famine for 20 years now. The timber facility at Crianlarich Lower was relocated—although it will possibly be relocated back down to Crianlarich Lower. Having had an ear bashing from residents about shunting diesels standing outside their houses in Crianlarich back in the days when I used to run our control office, I am well attuned to the issue.

The key question that you are asking is how we can get the flexibility to run the trains at less antisocial times of day. That is a classic example of the sort of thing that we now need to get launched. We have perhaps not got as far ahead as we need to in this regard.

I will wheel back for a minute. The west Highland line tends to get busy. It never looks busy, but the block sections and the signalling system mean that, even when a train is a long way away, it is necessary to wait for half an hour before entering the section to shunt the train. For about half an hour, therefore, the train will be waiting at Crianlarich, not moving but ready to get the authority to move from the signalling centre. I cannot give you the detail on that, because I am not genned up on it.

Fundamentally, the generic question is whether it is possible to get more flex into the signalling system to do the shunt during the day and not at night. In particular, can we move to Crianlarich Lower? Are the environmental considerations of that better than those for operating at Crianlarich Upper? The answer to that is probably yes. I give the committee the undertaking that I will take that away, stoke the fires and see what kind of inventive, operational solutions we can arrive at. We have done that in the past, and I am sure that we can do it again.

Dr Jackson: I will look forward to that. I know that the minister is considering the matter, too.

In the last paragraph of your submission, you state:

"It is essential that the Scottish Executive ensures paths are available 24 hours a day for freight services—this is fundamental for meeting their aspirations to grow Scotland's economy".

What else do we need to do to assist that aim? You have mentioned some things already.

Mike Hogg: There are two key issues. One is to fill in the paths with as much train as possible. I would rather put a half-mile train in a 10-mile signalling section than a three-wagon train—I am getting it for free. I am not, in fact—please do not quote me on that. In capacity terms, it is there for free.

The key issue that we have covered in our submission is the need to be able to run the Scottish freight railway almost 24 hours a day, seven days a week. Currently, we can run much of it for 24 hours a day, six days a week. As you know, Saturday night tends to be given over by the railway industry to engineering work. The work that we are undertaking with Network Rail, in Scotland and elsewhere, is to manage that engineering work intelligently, first, so that the freight requirement for access at 2 o'clock in the morning is understood, and, secondly, so that we

can go back to my early days on the railway when we would close one line and work the traffic over the other line, unlike the current default arrangement which appears to be to close both lines. There is a small team in London working on that quite successfully at the moment, challenging the rules.

At present, I am trying to run three additional trains from Hunterston to Longannet overnight across central Scotland. That is a challenge, because bits of central Scotland close at night, as ScotRail closes down at midnight. If I can get through on a single line, rather than a double line, I am happy, but it needs a certain mindset to allow that to happen. A lot of work is taking place to ensure that we have a 24/6 railway. In some cases, if we need to serve a power station on a Saturday night, which is a possibility, we need to find an intelligent way round that and challenge the perceived rule that it is not in fact possible. Scottish Executive help with that sort of thing is grist to the mill.

David McLetchie: There is a considerable section of your submission on the proposal to increase lorry weights from 44 tonnes to 60 tonnes. What is your perception of the status of that proposal? Is it alive, dead or dying?

Mike Hogg: Dead, I think. That is how I see it—but perhaps I am being overoptimistic.

David McLetchie: I do not need to ask you any more questions on that subject. That is fine.

The point about lorry weights raises another issue, however, which is at the heart of what a number of the written submissions have said. It is about costs relative to different modes of transport. You say that the change that is not going to happen—an increase in the weight of lorries from 44 tonnes to 60 tonnes—would create “unfair competition”. Some people would say that greater competition is not necessarily unfair competition, especially if it springs from the introduction, amendment or withdrawal of Government regulation. Again, that relates to what you say in your submission, which is that

“Rail freight pays the incremental wear and tear costs that it imposes on the rail network, whereas road hauliers do not.”

The previous panel told us that the road haulage industry shells out £30 billion per year but that only £10 billion comes back in investment in road infrastructure—the industry says that it pays three times the costs of wear and tear, but you say that it is not paying enough.

Mike Hogg: I guessed that that question would be asked, given what the previous panel said half an hour ago. As the witnesses said, it depends on one’s interpretation of the reallocation of funds for investment in roads. Somebody will know the

answer, but I do not know what proportion of road-user contributions is reinvested in roads, whether or not we consider capital reinvestment or the accident costs that were mentioned earlier.

A nuance that characterises for the railway community the sloping playing field that we play on is the fact that, even though the weight restriction for lorries has increased from 40 tonnes to 44 tonnes, it is the railway industry that pays for the reconstruction of road-over-rail bridges. I am not knocking that because the reconstruction means that I can get higher cube wagons through bridges—they might not go through the next bridge, but we are getting there. Bridges are reconstructed to modern standards rather than to Victorian standards, but it is the railway industry—specifically Network Rail—that carries the cost of such improvements.

We could probably talk about the subject all afternoon, although I am not sure that I can add much to the debate. However, I am aware of the costs of being on the network. The incremental costs that arise from freight on the network are paid under the track-access agreement. That is a change from the policy that was in place some years ago. The industry also has significant costs that are due to rigorous application of standards and rules. As a layman, I do not think that those costs exist in the road haulage industry. That is perhaps a contentious view but, despite rigorous monitoring with global positioning systems and radar guns, I cannot remember the last time we had to remove a train driver from the footplate for speeding—it just does not happen. The two industries have different approaches and different standards. That could be regarded as a contentious comment, but I look at the matter from a lay perspective, as a driver of a car and as a professional railwayman.

David McLetchie: In your submission, you portray an increase in axle weights as a quid pro quo for an increase in lorry weights from 44 tonnes to 60 tonnes. You are saying, “If they get bigger lorries, we want bigger trains.” However, is an increase in axle weights desirable? Does the argument for bigger trains—or bigger loads—apply regardless of what happens with lorries?

Mike Hogg: The background to the matter is the economics of moving a tonne of material from A to B. If we are to quote rates that are acceptable to the customer, we have to keep up with or be ahead of the competition, which in our case is road hauliers. The key point in our submission is that Britain is ahead of Europe in terms of the weight that can be put on our railway axles. We are about three times better than the best in Europe, which is always nice, but we do not do so well in comparison with Canada and the United

States, where a 35 or 36 tonne axle load is the norm, so there is room for manoeuvre.

I have to say that there are few locations in Scotland where I could justify such an axle load. The route from Hunterston to Carlisle and perhaps across to Longannet might be one. However, in other parts of the UK, on routes such as the iron-ore routes and steel routes in south Humberside and south Wales, allowing for heavier axle loads by increasing the strength of the infrastructure—be it bridges, ballast or track—is a live issue.

16:15

Most of the growth that we expect in Scotland, as Kay Walls said, will be in intermodal traffic and mixed-goods traffic. Those trains tend to increase in length rather than in weight. The driving factor is more to do with loop lengths, for example, than with axle load.

Dr Jackson: I have just come across the issue of loop lengths up at Crianlarich, as Graham Meiklejohn of EWS knows. Is there investment in loop lengths and infrastructure in Scotland?

Mike Hogg: Earlier, you might have discussed the big freight railway—the BFR. EWS is rolling out action on that. We are attempting to standardise on a 775m train. It is easy to say that, but there are routes on which one could find no justification for such a length—for example, on a heavy iron-ore route, for the reasons that I have just mentioned. However, if we are to grow the industry—we believe that the industry faces a 50 per cent increase in gross tonne miles between now and 2014, which is quite a challenge—we will have to do something radical on loop lengths. They are expensive to lengthen. It can be done during resignalling: in central Scotland around Carmuir, Larbert and Stirling, which will experience heavier and heavier coal traffic to Longannet after July next year, we are grappling with such issues.

To be positive, I say that you can get some things for free. There is a 50 mile stretch of railway south of the border, in respect of which what is published in the book of loop lengths is different from what is actually on the ground. We fell on the right side on that one: I can get more wagons on to those loops than the book says I can. For free, just by challenging the convention—or by telling somebody to go out and measure things with a trundle wheel, which is precisely what we did, in association with Network Rail—we have managed to get longer trains on that route. We simply challenged something that everybody thought was fixed.

Dr Jackson: Excellent.

The Convener: I will ask one final question on the back of Mr McLetchie's questions on the relative fairness of how rail and road freight are treated. Do you accept that there is considerable public support for the railway industry? I accept that that support does not go directly to Freightliner or EWS, but goes through the grant that the Executive pays to Network Rail. In Scotland, the grant is about £350 million a year. Does your sector feel that it gets a fair crack of the whip, in terms of Network Rail's investment priorities?

Kay Walls: Yes, we do get a fair crack of the whip—provided that we make the case sufficiently well.

The difficulty with rail freight business is that it tends to come and go. There can be a healthy flow of freight for several years but, all of a sudden, it stops for whatever reason. Another flow may then start from another location. It can therefore be difficult to justify big expenditure because there is nothing concrete to base it on. In a passenger franchise, one knows that trains will run for the next 10 or 15 years because people will live and work on the route. With rail freight, the difficulty is that the demand can disappear tomorrow.

Freight services to the port of Felixstowe, for example, are easy to provide, because the port will grow and there will always be trains running to and from it. In big areas such as around the west coast main line, there will not be a problem, but in small outlying districts, there will be because it is not possible to say that the flow will be there for the next 25 or 30 years making expenditure good value for money.

Mike Hogg: On your first question, convener, it is almost a fixed point of reference that the country has decided to fund Network Rail to a particular level. In commercial businesses such as Freightliner or EWS that are totally in the private sector, we just have to accept that as a given. We may therefore have to be careful about comparing rail with road, because it can be difficult to compare the numbers—the pound signs—as opposed to comparing the perceptions.

As to the second question—whether we feel that we in the UK get a fair crack of the whip—I have to say that we do not feel that historically we have had a fair crack of the whip. However, through the work that is done in Scotland and in London by Kay Walls and her team, and the work that is done by EWS, the profile of freight is growing significantly. We are somewhere near the tipping point at which the economic advantage of roads tips over into the economic advantages of rail. Issues relating to diesel fuel and the working time directive suggest to me that we are at that tipping point or have, in the past year or two, moved just beyond it. On that basis, there has been a

significant increase in genuine interest from the railway community in what we are about. The reaction has been professional and positive—it has not all been, “Take your big lumping trains off my passenger railway”. People have been interested to know how they can work with us to enable us to achieve our ends.

Work that was undertaken by Freightliner and EWS to increase the capacity out of Ayrshire and Hunterston to England was demonstrably and practically assisted by ScotRail and its equivalent south of Carlisle, Northern Rail. They agreed to flex their trains to allow for the optimum amount of coal to run. We did not abuse that agreement; we took it as a flex argument and arrived at a timetable that works. I put it to the committee that we could not have done that five years ago. The freight community understands that what Kay Walls, I and the other four operators are doing to mitigate the knock-on effects is the correct approach. Network Rail and the train operators are encouraging us in what we are attempting to do to grow our business and improve its quality.

The Convener: That brings us to the end of our questions. I thank our witnesses for their time.

I welcome Andrew Malcolm, who is our final witness, and offer him the opportunity to make introductory remarks.

Andrew Malcolm (The Malcolm Group Ltd): The Malcolm Group is a Scotland-based business that was founded in the early 1920s. We employ approximately 1,800 people throughout the United Kingdom. We are involved mainly in the logistics sector and the construction sector. The part of the construction sector that we are involved in is, predominantly, in the central belt of Scotland. Our work covers various aspects of construction, including earth moving, ground works and civil construction. Our logistics side is a multi-purpose logistics set-up that covers everything in the logistics package, including road, rail, warehousing and information technology solutions.

Over the past 12 months, we have taken the group from being a public listed company back into being a private, family company. That is where we are today.

Michael McMahon: We have heard about the costs that affect companies such as yours. What is your perspective on the fact that 30 per cent of your costs are for fuel? What can be done to address that?

Andrew Malcolm: The figure of 30 per cent is an average that dates back about four or five years. Today, if you were to measure the costs for straight haulage, you would find that the figure is nearer 37 per cent.

We are quite fortunate in that, with regard to the majority of our customers in the logistics sector, we have had a fuel escalator in place for some time. The biggest issue is that although we have a fuel escalator, we will recover the real cost of fuel on our freighted miles rather than on all the miles that are actually run. In any business today, a level of empty mileage is calculated in order to split the business cost from that side—it is a large cost.

Like many of our competitors, we do a lot of driver training. We have a reasonably modern fleet and we are always trying to buy the best technology of the day. We also have a large national infrastructure and we are trying to adopt best practice the length and breadth of the UK. Fuel and wages make up nearly 70 per cent of our costs, so it is imperative that we control both those costs.

Michael McMahon: Fuel costs are projected to rise, so what will you have to cut to accommodate the increases?

Andrew Malcolm: We must be innovative with customers so that we can take real spend out of the supply chain. The days are long gone when we can expect our customer to pay for our real costs. That is one of the reasons why in 2000 we started offering a combined rail and road alternative as opposed to just a rail alternative. Road and rail work together; I do not believe that either can work independently of the other. The road network can survive without rail, but rail cannot survive without road. We are a transport company at heart, but it is fair to say that we run trucks today as a necessary evil rather than as a core activity. We are always looking at ways to remove unnecessary mileage from the roads and we are always working with customers to find out how we can move goods once rather than twice. Like everything else, every day is a different challenge and we work closely with customers to try to minimise the impacts.

Michael McMahon: Much of the road haulage industry in Scotland involves small and medium-sized enterprises. Do you concur with the views that were expressed earlier about whether such enterprises can innovate in the way that you as a larger organisation can? Is there a greater adverse impact on them, in percentage or pro rata terms, than there is on you?

Andrew Malcolm: We have a number of alliances with smaller organisations as well as with larger organisations. Hauliers have to be interdependent and work together. Given all the legislation that is out there, there is no doubt that the smaller a haulier is, the harder it is for them. The fourth-party logistics boys are reasonably dependent on the small boys, who are reasonably dependent on the 4PL boys for a living. However, there is a niche for hands-on, conventional,

traditional road hauliers who know the job and get it done based on their service and reliability. It is hard, though, and the smaller they are the harder it will be if they do not have the infrastructure and flexibility in place to respond to the challenge day by day.

Michael McMahon: A great number of manufacturers and service providers work to just-in-time delivery mechanisms. It may be necessary, but is that a practical way of doing business in the current economic climate?

Andrew Malcolm: That would depend on whether you are talking about just in time or just too late, which is the way some of them do it.

Michael McMahon: Just too late is normally the way it ends up.

Andrew Malcolm: I think that the just-in-time philosophy is good in theory, but the reality is that all that it has done is push the cost further down the supply chain. Since I got involved in rail I have found it interesting that rail is more disciplined than road: as my colleague said earlier, rail has to leave on a set path and arrive at a set time. Our customers have to be more disciplined, therefore, and must dispatch at a set time and receive at a set time. We may be a victim of our own success, but road transport creates more flexibility in the marketplace. We give our customers more flexibility to order a bit later and to expect goods a bit earlier as well. However, I believe that just-in-time delivery in the UK economy has pushed the cost down the supply chain to the end user, who is the haulier.

Michael McMahon: Just in time was part of what was known as the Japanisation of British economic practice. Do you think that we need to go back to more traditional ways of delivering what is required in Britain rather than follow the fads that crop up?

Andrew Malcolm: Interestingly, many more of our larger companies are controlled from Europe. We talk about competition in the UK: I am a great believer in competition and I thrive on it as long as it is fair and there is a level playing field. However, more and more we are compared with logistics costs in Europe rather than with those in the UK, but European and UK costs are miles apart. They just cannot be compared. No apples-with-apples comparison is possible. I agree that we need to go back to the more conventional way of doing things that was used in the past.

Paul Martin: Andrew Malcolm will have heard earlier questions about companies using foreign labour because of core-skills shortages. What is your company's policy on that?

16:30

Andrew Malcolm: We currently have six Polish mechanics and four Polish drivers in our workforce of 1,800, for no other reason than that we are putting a toe in the water, although that is happening more down south than it is in Scotland. North of the border, we do not have a shortage of personnel, although there is a shortage of what I would call the skilled personnel that we had 10, 15 or 20 years ago.

In certain parts of England, such as the Northampton area in which we have a depot and which we call the golden triangle, it is hard to employ anybody, no matter how much we pay. We have introduced some European drivers as a test and we have brought them in through an organisation that screens them professionally. We pay them pound for pound what we pay our own drivers, and we treat them in exactly the same way. I am encouraged by what I have seen and by their work ethic—it is like turning the clock back 15 or 20 years. They want to work and to do a good job. Their introduction is not a solution for the UK market, however.

Paul Martin: You will have heard questions earlier about foreign haulage contractors. What are your concerns about perceived unfair competition?

Andrew Malcolm: Foreign operators do not impact on us directly on a daily basis, but they drive the market price down. No matter what our cost base is or what we provide, customers will always refer back to the market price, and the average price that is charged today is below what most hauliers have as a cost base. The European hauliers create an element of that. As we have heard, they can come in with a tank of fuel and work for a week. They use cheap labour and are not affected by the working time directive or driver legislation. Therefore, they have an impact on the industry as a whole, but not on us directly because our customers are more focused on quality and timeliness. The European hauliers who are here today might not be here tomorrow, and there is the risk of late call-off. Their main impact is in driving down the basic rate of transport from A to B.

Paul Martin: My final question is on a completely separate issue. In every business forum that I have attended and in every evidence session that the committee has had with business leaders, concerns have been expressed about bureaucracy, but nobody is ever able to give us a specific example. Phil Flanders touched on the issue, but did not give a specific example of unnecessary bureaucracy. Can you give a couple of examples of bureaucracy that could be scrapped? For instance, there has to be planning permission. You cannot say, "Let's not have

planning guidelines." Can you give us an example from your experience?

Andrew Malcolm: Whether we like it or not, the legislation exists. We can question how justifiable it is, but what else can we do? My biggest concern is about whether there are sufficient resources to monitor and police the legislation so that it is applied and enforced across the whole sector. The legislation and bureaucracy exist; I could question many things, but that is a fact. We are of such a size that we have to do things 99.9 per cent by the rule book, but we know that a lot of our competitors cut corners by avoiding this, that and the next thing. That is as much as I will say on the matter.

Paul Martin: Is there one tiny example of what—

Andrew Malcolm: Not really. There is not one that I would jump to.

Dr Jackson: I have a question on the back of what Michael McMahon asked. You seem to be saying that you are going back to more traditional ways of operating. Is that because you are focusing on quality rather than operating just-in-time practices? Can you elaborate a wee bit on that?

Andrew Malcolm: We differ from many other organisations in that we are very conventional and take a traditional hands-on approach to management and how we do things, as we always have. For most of our contracts with customers throughout the UK, delivery is generally just in time, but we are very much in a reactive market and do not get a chance to plan ahead. Like Kenneth Russell, I have guys on the floor and although we use computers it is the boys in the traffic offices who make the decisions on where the trucks go next and on how to overcome problems or blockages in the system. We do things in a very conventional and traditional way. None of our customers has a dedicated resource to manage their business. Our whole contract and business model is based on multi-user and network schedules. That makes us different from the rest, but what we do today is not significantly different from what we used to do five, 10 or 15 years ago.

Fergus Ewing: I have a question for Andrew Malcolm about the point in his submission that we should revisit the speed limits. I ask him to say what he would like to be changed.

Andrew Malcolm: Because of the combination of restrictive practices that are in place, the latest of which is the working time directive, every minute of our day is valuable. In our marketplace, we do not have control over congestion, which results from, among other things, road works and volume of traffic, but our customers still expect our

vehicles to be there at 8 o'clock or whenever. If our excuse for being half an hour late is the work on the flyover road at Glasgow airport, the customer's attitude is that we should have sent the lorry off 45 minutes earlier so that it arrived on time. However, that has a cost, because the driver's time is taken up.

HGVs have moved on to such a degree—I still drive them from time to time—that driving one of them at 40mph, especially on the A9, is monotonous for the driver as well as for the car user who is behind the vehicle. There is an opportunity on some roads for the driver to gain back five or 10 minutes that have been lost through no fault of their own. Because of the enhanced braking and other safety systems in today's vehicles, in certain controlled areas they should be allowed to move slightly faster than they are at present.

Fergus Ewing: Specifically, do you support the idea that Gavin Scott advocated that the speed limit for HGVs on certain roads should be increased from 40mph to 50mph? He gave the example of the A9 as well as various others in his paper, such as the A1. On the basis that that is a measure that the Scottish Executive could take by designating certain roads as special roads, do you support the idea?

Andrew Malcolm: Certainly. To turn the clock back, many years ago we used to have a 40mph speed limit on all A class roads, but the A74 had an exemption so that HGVs could go up to 50mph—that certainly worked and made a difference. On controlled routes, the measure would make a difference.

Fergus Ewing: I mention that topic, rather than the outrageous level of fuel tax or the hugely unnecessary and intrusive working time directive, because I cannae change those, but if all committee members agree, the committee might be able to do something about the speed limit. However, to play devil's advocate, the obvious difficulty is that the communities along the routes, particularly in residential settlements, will legitimately feel that they are entitled to 30mph limits. Indeed, I have campaigned successfully for the introduction of such a limit in Cromdale in my constituency. Where kids are coming out of schools and so on, a 30mph limit is rightly a fact of life. I am interested in your observations on that, given the substantial size of your company and your experiences as a driver. Along the A9, there are not really any obvious settlements, although there are one or two houses.

In short, does the industry feel that, as well as the economic case, a case can be made on road safety grounds, because a 50mph limit would not increase the risk of accidents? Do you have any

data or other information to support such an argument?

Andrew Malcolm: I believe that the change would do the opposite, because it would take away the element of accidents that are a result of monotony and aggravation felt by people who sit behind trucks. As a caring employer and neighbour, I support 100 per cent the lower speed limits in residential and built-up areas where there are schools and other buildings. However, a change in the speed limit on some routes would reduce the number of accidents that are caused by fatigue.

On costs, the vehicles of today run at their optimum level at about 50mph. At 40mph, an HGV is labouring and costs more to operate. The vehicles perform better at slightly higher speeds, because that is what they are designed for.

Fergus Ewing: I have heard that argument before. Common sense suggests that a driver who is driving at 40mph a vehicle that is meant to be driven at 50mph will get fed up and perhaps frustrated. Of course, being bored, frustrated and fed up are not conducive to safe driving. However, I will point out a difficulty, although I am not sure whether it is fair to do so. Perhaps some of the earlier witnesses will revisit the issue after they have read the *Official Report* of the meeting. Is there hard evidence that road safety would be improved if the speed limit were increased on certain roads that were considered appropriate? You have just stated that theory, and I have often heard experienced hauliers make the same point, but evidence from impartial studies would significantly strengthen the instinctive view that committee members might have on the matter.

Andrew Malcolm: I need to refer your question to Phil Flanders. The RHA might have statistics on the matter.

Michael McMahon: I take the point that Fergus Ewing made about safety. Is there also evidence that fuel emissions would decrease if lorries went a little faster—up to 50 mph, for example?

Andrew Malcolm: I cannot give you a precise answer, but we are talking about the efficient running of the vehicle, so I presume that emissions would decrease. A person who drives a freighted vehicle up the A9 at 40mph can never get into top gear—it is impossible—so by default the engine must work a wee bit harder, because it is in a lower gear, which probably means that emissions are slightly increased. I can look into the matter and respond to you.

David McLetchie: Will you elaborate on your comments on road congestion and talk about the policy options for the Scottish Executive and the Westminster Government? Is the answer to congestion some kind of rationing of space on the

road through a pricing mechanism, as the Secretary of State for Transport has suggested, or should congestion be tackled by improving or expanding the existing road infrastructure to eliminate blockages?

Andrew Malcolm: Four or five years ago I took pride in being from the north, because the Scottish road network was second to none, but during the past two or three years congestion in Scotland has caught up with congestion south of the border. We closely measure the productivity of our fleet, as every haulier does, so we know that for our tipper fleet, which operates in the central belt and Glasgow, productivity has gone down by as much as 20 per cent in five years as a result of congestion. The major investment at Condorrat interchange was excellent, but the improvements just mean that our lorries move on to the next gridlock a wee bit more quickly. The distances in Scotland are so short that whatever we invest in the road network just seems to result in our arriving at the next blockage a wee bit more quickly. Many people accuse the truck industry of causing congestion, but the number of single passenger cars on the road demonstrates that car users cause more congestion than do truck drivers.

A large percentage of our business involves 24-hour working. Incentives could be offered to encourage freight and other drivers to use the roads 24/7 and not just during daylight hours. We should consider that. About 18 months ago, we went to the RHA in relation to the essential user rebate and suggested that consideration be given to night-shift operation. That would help Scotland by assisting in the moving of freight from the north to the south, because we are a long way from our markets.

David McLetchie: Those are interesting observations.

The Convener: Andrew Malcolm said that he works in partnership with the rail industry to provide for customers solutions that involve a mixture of road and rail. He also said that there should be greater investment in the rail infrastructure, particularly in alternative routes to the west coast main line. Are there problem areas in Scotland where your customers or their markets could be served by rail, but they are not so served because of constraints in the network?

Andrew Malcolm: We run a seven-day rail service into Aberdeen to serve the Asda stores in the north-east, which works reasonably well. We also run a six-day service, which can involve two or three trains per week, which run at peak times from our depot in Crick to Mossend or Grangemouth. The west coast main line is a key issue for us, because when the line is closed as a result of subsidence the train cannot get past

Carlisle and there is no alternative route for megacube containers. That often happens on a Friday night or a Saturday, and we have to dispatch a fleet of trucks to Carlisle to get the goods off the train and up to the customer. We would like an alternative route to the west coast main line. Like it or lump it, the weather in Scotland leads to subsidence—it always happens when there is a bad spell of weather.

The Convener: Is the upgrading of the south-west diversionary route a number 1 priority for you?

Andrew Malcolm: We need to consider that. More and more shipping lines are going for megacube containers as they renew their container pools. That can create problems for us.

The Convener: That brings us to the end of questions. Thank you for your excellent contribution.

We move into private session for the final two agenda items.

16:45

Meeting continued in private until 17:11.

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