



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

Wednesday 25 February 2015

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INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE
5th Meeting 2015, Session 4

CONVENER

*Jim Eadie (Edinburgh Southern) (SNP)

DEPUTY CONVENER

*Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP)

COMMITTEE MEMBERS

*James Dornan (Glasgow Cathcart) (SNP)

*Mary Fee (West Scotland) (Lab)

*Alex Johnstone (North East Scotland) (Con)

*Mike MacKenzie (Highlands and Islands) (SNP)

*David Stewart (Highlands and Islands) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Charles Hammond (Forth Ports)

Derek Mackay (Minister for Transport and Islands)

David McGinley (Babcock International Group)

Colin Parker (Aberdeen Harbour)

John Paterson (Montrose Port Authority)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Infrastructure and Capital Investment Committee

Wednesday 25 February 2015

[The Convener opened the meeting at 10:00]

Subordinate Legislation

Scotland Act 1998 (Modification of Schedule 5) Order 2015 [Draft]

The Convener (Jim Eadie): Good morning. I welcome everyone to the fifth meeting in 2015 of the Infrastructure and Capital Investment Committee. Everyone present is reminded to switch off mobile phones, because they affect the broadcasting system. Meeting papers are provided in digital format, so you may see tablets being used during the meeting.

The first agenda item is evidence on the draft Scotland Act 1998 (Modification of Schedule 5) Order 2015 from the Minister for Transport and Islands, Derek Mackay. Brendan Rooney, who is a road safety policy officer in Transport Scotland, is also attending.

The order has been laid under the affirmative procedure, which means that the Parliament must approve it before the provisions may come into force. Following the evidence session, the committee will be invited, under agenda item 2, to consider a motion to approve the order.

I welcome the witnesses and invite the minister to make opening remarks.

The Minister for Transport and Islands (Derek Mackay): Thank you, convener, and good morning, committee. I thank you for the opportunity to set out the Government's reasoning behind the measures that the committee is considering.

The order was made under section 30 of the Scotland Act 1998 in order to devolve to the Scottish Parliament legislative competence in respect of provision of seat belts on school buses. The safety of Scotland's children and young people is a responsibility that we all share. As the Minister for Transport and Islands, it is my resolute belief that the journey to and from school is a key consideration in those efforts. Parents who wave their children off to school in the mornings expect all of us with responsibilities in the area to do everything that we can to ensure that they are cared for and kept safe. That is why, in March last year my predecessor, Keith Brown, announced

that the Scottish Government intended to introduce legislation to ensure that seat belts would be provided in all dedicated school transport in Scotland.

I am glad that local government shares our endeavours on that important safety measure. Seventeen councils in Scotland already stipulate seat belts as a condition in dedicated school transport contracts, and a further six do so in some provision, for example, in vehicles that carry primary children. About 85 per cent of dedicated school buses in Scotland currently have seat belts fitted, but we are clear that all children on dedicated home-to-school transport should benefit from that important safeguard, so we intend to introduce legislation on that in the next session of Parliament.

We have reached agreement with the United Kingdom Government on the terms of the order, and I am pleased that the process has reached the stage at which the order is before the ICI Committee following its passage through the Delegated Powers and Law Reform Committee last week.

Although formal consultation and such associated legislative considerations are still some way in the future, we have taken the early opportunity to work closely with local authority partners and other key stakeholders. Transport Scotland has set up the seat belts on school transport working group to help to prepare for a smooth transition and to look at best practice for ensuring that children wear seat belts when they are provided.

The aim is that the order be approved at both Holyrood and Westminster before the UK general election, and for it to be made at the first available Privy Council meeting in the summer.

Those are the steps that the Government is taking to ensure that we are well placed to take forward our plans. I invite questions from committee members about the section 30 order.

The Convener: Thank you for that opening statement, minister. I invite members to ask questions on the order.

David Stewart (Highlands and Islands) (Lab): I just want to put on the record that we should thank the petitioner who has done work on road safety for many years and the Public Petitions Committee for its work on the issue. Perhaps the minister would agree with that. I should declare an interest as a former convener of the Public Petitions Committee. What has happened provides a good example of how ordinary petitioners can go ahead in raising issues of concern and get action. As members know, the Public Petitions Committee was heavily involved with the UK Government, as well.

I am very pleased that the section 30 order has been drafted; safety to and from school is vital. The initiative is great, and I strongly support it.

Alex Johnstone (North East Scotland) (Con): Although I have no issues with the order, will the minister give us an indicative timescale for completion of the process to put in place the regulations?

Derek Mackay: First, David Stewart's comment on the success of this Parliament is a fair one. Petitioners—citizens of Scotland—can, in the very heart of our democracy, raise matters of importance to them. We can progress those issues where we have the power to do so. In this instance we did not have the power. but we sought it in order to deliver on aspirations.

The section 30 order is very specific, so we will be able to set only the rule around use of seatbelts, but not their specification—there is a particular request for three-point seatbelts. It would therefore be better if we had greater power, so that we could be more prescriptive. However, perhaps we can achieve that through guidance rather than necessarily having to do so through legislation.

As transport minister, I also want to take other action including improved signage on school buses, which another petitioner of Parliament has raised. That is another example of where this Parliament and I, as the responsible minister, do not have the power to make a decision. However, I will continue to pursue the matter with the UK Government.

In addition to the Smith commission proposals for further devolution of powers to the Scottish Parliament, the general election and the command paper "Scotland in the United Kingdom: An enduring settlement", we will want to pursue, on a cross-party basis, further powers to make our young people even safer.

That was a consensual point made to take forward agreement on the principle of empowerment.

On Alex Johnstone's question about the timescale, when the power becomes available, the earliest that we could introduce legislation would be in the first year of the next session of Parliament, because of the time it will take for the order to go through, including the Privy Council's approval. It would be a matter for the next session of Scottish Parliament.

This Scottish Government has committed to introducing legislation very quickly. In order to achieve the timescale of implementation by 2018 for vehicles that transport primary school children, and by 2021 for vehicles carrying secondary

school pupils, we have to introduce legislation in good time.

Members may put the point that it is presumptuous to say that that this Scottish Government will be the next Scottish Government, but because of the level of cross-party support the policy seems to have, surely any party will want to continue with the legislation, if it has the power to do so.

I hope that that gives further clarity on timescales.

The Convener: We move to agenda item 2. I invite the minister to move motion S4M-12372.

Motion moved,

That the Infrastructure and Capital Investment Committee recommends that The Scotland Act 1998 (Modification of Schedule 5) Order 2015 [draft] be approved.—[*Derek Mackay*].

Motion agreed to.

The Convener: That concludes consideration of the instrument. We will report the outcome to Parliament.

I thank the minister for his evidence and his official for his attendance this morning.

I allow a short suspension for a changeover of witnesses.

10:08

Meeting suspended.

10:10

On resuming—

Freight Transport

The Convener: Item 3 is evidence from port operators. I welcome Charles Hammond, who is the chief executive officer of Forth Ports; David McGinley, who is the director of commercial marine of Babcock International Group; Colin Parker, who is the chief executive of Aberdeen Harbour; and John Paterson, who is the chief executive of Montrose Port Authority.

Do any of the witnesses want to make an opening statement?

Charles Hammond (Forth Ports): Good morning, convener and ladies and gentlemen. I am happy to make a general statement to kick off the discussions.

Forth Ports is the third-largest ports grouping in the United Kingdom. Our business is split, with about 55 per cent in London and 45 per cent in Scotland. We handle just under 40 million tonnes of cargo, about 26 million tonnes of which is handled in Scotland.

We operate seven ports and terminals in the Forth and Tay estuaries, a number of regional ports and Grangemouth, which I argue is a national port. We are involved in a number of projects, but the key point to make is that we are trying to support the key industries in Scotland for Scotland. The food and drink, the agricultural, the chemical, the North Sea oil and gas sectors are all important industries for Scotland. We seek to support them through the infrastructure facilities and services that we deliver.

I would be happy to answer any of your questions in more detail as we go along.

The Convener: Thank you very much, Mr Hammond. Perhaps we could kick off by asking each of the witnesses in turn to provide us with an overview of the port or ports that you represent and their significance to the wider Scottish economy. Perhaps we could start with Mr Paterson.

John Paterson (Montrose Port Authority): You have started with the smallest first. The port of Montrose is a small port by comparison with those that are run by my colleagues on my left. However, it is of particular importance for the county of Angus, Perthshire, southern Aberdeenshire and Fife.

It handles cargoes of some 600,000 tonnes each year. The main cargoes are bulks of imported fertiliser, pulp for the paper mills and grain both ways—it is imported and exported,

depending on the successes of the harvests in the area. The fertiliser industry is probably the largest one that we support in Montrose—there are two fertiliser blending companies in the port—and is the most important industry for us year round. There are other seasonal exports, such as roundwood and the crops that arise from agriculture. We also have a significant business in scrap metal iron, both outwards and inwards.

We also have oil-related shipping. Much of it does not carry a lot of cargo, but the ships are very important visitors to the port, because the larger ships do all their crew changes there, so there is quite a throughput of personnel in and out of the port. That has made the port particularly busy in the past three years, since late in 2011 when we completed rebuilding of a quay that had collapsed way back in 2003. The throughput has doubled in the past seven years since we made the port improvements. That is the general outlook.

10:15

The Convener: That is helpful.

Colin Parker (Aberdeen Harbour): Like Montrose harbour, Aberdeen harbour is a trust port—a single entity port—unlike Charles Hammond's group. We are the main commercial port serving the north-east of Scotland. We had roughly 8,000 vessel arrivals last year and dealt with around 4.7 million tonnes of cargo. We have links with 41 countries, from which cargo arrives or to which it departs, so Aberdeen harbour is an international hub. A lot of that activity is oil and gas related. We are the principal support hub for the North Sea and west of Shetland. In addition, two companies operate scheduled services to west Africa, so we average between four and six sailings a month to west Africa. Another trade that we are busy with at the moment is support for the drilling operations in the Falkland Islands. A cargo ship is due shortly to head for the Falkland Islands—about our fifth this year.

We have the lifeline ferry services that are operated by Serco NorthLink, which link us with Orkney and Shetland. They provide vital services such as supplies for the supermarkets and for the fish farms in the northern isles. There is also the freight service that is operated by Streamline Shipping Group. The ferries bring down livestock from the northern islands, and about 155,000 passengers a year use them.

We have a small amount of scrap metal imports and a significant amount of scrap metal exports. Calcium carbonate slurry comes into Aberdeen harbour and is transported by rail and road all over the UK; it is used for coatings by the paper industry. A small number of cruise vessels also

use the harbour. We had 10 last year, and we are expecting roughly the same number, or slightly more, this year. We also export round timber to the Baltic states.

The other thing that we are currently heavily engaged in is an expansion plan—at today's costs, of roughly £320 million—for a bay just to the south of the existing harbour to meet the demands of our customers. We have been working on the plan for the past four and a half years. It has been recognised by the Scottish Government in "Scotland's Third National Planning Framework"—NPF 3—as being strategically significant for Scotland. We are currently engaged in an environmental impact assessment for that, and we will shortly be building a physical scale model. All being well, we hope to start construction in 2017 and to complete it by 2020.

David McGinley (Babcock International Group): Good morning. We are the exact opposite—we are a large engineering support business with a dockyard and a port attached to it. In that sense, the port operation is not our main business, but it is becoming far more of a strategic requirement for us, as we move away from Ministry of Defence work further into commercial activity.

As far as commercial activity on the site is concerned, we are about to deliver the back end of the quad 204 project for BP, which is undersea and subsea work for the Schiehallion field. We are engaging in a number of other large fabrication jobs for the MOD. We will have the two aircraft carriers—Queen Elizabeth and Prince of Wales—on the site until 2018, and that is taking up a considerable amount of our time and consuming a fair amount of our facility.

Within the port, we deliver aggregate and salt, and we deal with cargoes including wood. Last year, we delivered a number of large wind-farm jobs, which involved 180,000 tonnes of wind-farm equipment. We also support oil and gas support vessels for the North Sea—we take refit, repair and maintenance jobs. Key customers in that area include Shell, Helix Energy Solutions, Bibby Offshore, Fugro, BP and Subsea 7. We are establishing ourselves in the market in a fairly strong and positive way. As I have said, it is early days for us, but we are moving forward in that area.

Charles Hammond: I can give you an overview of some of our ports, although it is difficult to cover them briefly. Perhaps I can start with Grangemouth. The port there is strongly integrated with the refinery, and we are heavily involved with Ineos and the new project to import ethane to make the chemicals business more viable for the future.

Grangemouth is Scotland's largest container-handling facility. Many of the whisky exports to the rest of the world go through it, and we are looking very carefully at expanding its capacity and facilities, which will involve dredging and deepening work, new equipment and new information technology systems. All that will take Grangemouth's capacity well into 220,000-plus boxes from its current level of about 155,000 containers. Major investment is planned there.

David McGinley has mentioned North Sea oil and gas fabrication work—we have a similar set-up at Dundee, although, of course, our main business is the ports business. We are carefully considering expanding the quayside and fabrication facilities at Dundee, not only to support North Sea oil and gas but to ensure that in the long term the port is capable of handling load-outs for the offshore renewables industry.

We are also heavily involved in North Sea oil and gas servicing and demobilisation, fabrication and support services at Leith. Many vessels call at Leith, and again we are considering a major project to free up significant areas of land to facilitate decommissioning and similar types of work. We also support agriculture throughout our ports, while at Rosyth we handle the Rosyth to Zeebrugge ferry.

That was a very brief overview, convener. I am happy to go into more detail as we go along.

The Convener: Thank you very much. It is evident from what each of you has said that ports are integral to other economic activities in Scotland and perhaps to unlocking Scotland's economic potential in the future. Have any of you undertaken an economic impact assessment of the ports' economic footprint with regard to the number of direct jobs that they sustain and what economists call induced effects? Have you done or considered doing such work?

John Paterson: Yes.

Charles Hammond: Yes.

Colin Parker: Yes. Do you want some details?

The Convener: Please.

Colin Parker: As part of the feasibility study of Nigg Bay, Scottish Enterprise commissioned a company to conduct an economic impact assessment of the activity related to a harbour in Aberdeen. I am not saying that all of that activity happened at the harbour, but the company came up with a figure of 12,000 full-time-equivalent jobs and £1.5 billion in gross value added. I know that the British Ports Association commissioned Oxford Economics to come up with a wider figure for the whole of Scotland, but I think that it has already provided those details to the committee.

The Convener: Anyone else?

David McGinley: We have done an economic impact assessment, but it was for Babcock's whole activity in Scotland rather than the activity sustained by the port itself.

Charles Hammond: To use the same format that Colin Parker used, I can tell the committee that, according to our studies, we contribute about £2.37 billion of GVA through our ports and the figure for jobs is 13,051.

John Paterson: The figures for Montrose are much smaller, but we certainly comply with all the requirements, particularly when we are raising public sector finance and borrowing for developments. We are all very conditioned to carrying out that work for major projects.

The Convener: Can you describe the current infrastructure surrounding your ports? How well does it serve the port users? What investment is going into infrastructure at the moment and will go in over the coming years?

Charles Hammond: Annually, as a group, we invest roughly £30 million a year in our business directly, about half of which goes into our Scottish ports. That is direct capital investment as opposed to anything that we spend on training, health and safety and other services.

With regard to projects and infrastructure requirements, I mentioned the deepening and the new equipment at Grangemouth; we will earmark £20 million-plus for such projects. We will earmark potentially up to £15 million for phase 1 at Dundee, and at least another £10 million to £20 million as we move forward.

We are completely privately funded; our shareholders represent a number of different UK, Canadian and European pension funds. We are securely financed, and we have the capacity to invest in all the infrastructure improvements that we are considering. They are all privately financed, which I believe is the right model for expanding our ports business.

David McGinley: Our investment at Rosyth comes from a combination of Babcock and—up to now—Ministry of Defence funding. We have invested in a 1,000-tonne Goliath crane and widened the direct access to the port, and we have widened one of the docks to enable it to accept an aircraft carrier. We have put in a brand-new pumping station, modular transporters and a new fork-lifting crane fleet. We now have a traffic management pedestrian safety initiative, which involves a considerable amount of money, and we have put in an 11kV shore supply.

That all comes to a total of approximately £100 million at least, of which £40 million to

£45 million has been investment from Babcock in Rosyth.

Colin Parker: Since the arrival of oil and gas in the North Sea about 50 years ago, we have virtually rebuilt the harbour. More recently, we have spent approximately £33 million on renewing the berths on the south side of the river, and £5.5 million on deepening and widening our navigation channel. There were many other projects in the years before that, which were funded by us with no borrowings; we have been able to virtually rebuild the harbour in that period.

The Convener: Are there any expansion plans?

Colin Parker: The major expansion plan is the £320 million expansion into Nigg Bay, which is what we are focusing on at present. We are well down the road in our feasibility study, and we hope to be in a position to make a decision some time next year.

John Paterson: In the past five years we have invested in a project worth £8 million to rebuild quays that had collapsed on the south side of the harbour, for which we got significant grant assistance through a freight facilities grant of £3 million.

Since then, we have been able to increase trade to the extent that we have been able to build a new berth to replace one on the north side of the harbour that was in poor condition. That project caused us to have to borrow, but business nowadays is such that we can afford to repay that borrowing.

The Convener: What was the figure for that borrowing?

John Paterson: It was £8 million.

The Convener: Okay—thank you. Mike MacKenzie has some questions.

Mike MacKenzie (Highlands and Islands) (SNP): We have heard about some of the success areas, such as oil and gas and whisky. Given the variety of cargo that is capable of being transported by sea, which areas may offer further scope for improvement through carrying cargo that is not carried by sea at present?

Charles Hammond: Are you happy for me to lead on that?

Mike MacKenzie: Sure.

Charles Hammond: We can contrast our port operations here with those that we run down south, where there are 25 million people within an hour to an hour and a half's journey away for distribution. Ports tend to work on the basis of population. In Scotland, we have only something like 2.5 million to 3 million in the central belt, and 5 million in total, so it is important that we are

exporting to punch above our weight. That means that we have to give any industry in Scotland a tight supply chain, regular services and good infrastructure as well as the possibility of logistics-related services.

10:30

A new term in our industry is port-centric distribution. All that that really involves is trying to take stock costs and distribution costs out of the system for industries that want to export or import. We would therefore seek to build warehouses and connect the warehouses and facilities with the regular container services that we handle at Grangemouth.

We have nine sailings a week at Grangemouth, so there is a regular way for industries to get their goods to market through Rotterdam, Antwerp, Felixstowe and a number of other ports, which can then distribute worldwide. It is important for the industries in Scotland that we improve those links.

Mike MacKenzie: Thank you. Do any of the other gentlemen see any possibilities for expansion into new areas or for increasing in general the amount of trade that goes out through our ports?

Colin Parker: As the oil and gas expertise in the north-east of Scotland grows and becomes better established, there will be more scope in the future for projects such as those that I have mentioned—for example, the west Africa services, which are now going round to east Africa and elsewhere in the world. I endorse what Charles Hammond said—we need to provide better container services to stop where possible the drift down to Felixstowe and Southampton.

Mike MacKenzie: It was very encouraging to hear from Montrose that trade through the port has doubled in a short period of time.

John Paterson: That is because we went out and marketed the facilities after we had improved them. The port was in need of marketing; I will have almost completed that job before I retire, so another marketing person can take over.

We have been successful in taking lorries off the road by persuading importers and exporters to operate by sea rather than by road. We see that as an important element.

Mike MacKenzie: That kind of success is certainly a good note to retire on.

John Paterson: Thank you.

David McGinley: From Babcock Rosyth's point of view, we are all about finding innovative ways to move large structures around the Forth and under the three bridges that will be there. The more innovative that we can be in that direction, the

more work we will bring into the facility. That is the real challenge for us.

Mike MacKenzie: The committee has undertaken a series of visits to ports to gain a bit of insight and understanding. About a week ago, we were out at Forth Ports in Grangemouth. To be honest with you, Mr Hammond, I was quite disappointed. We were led to believe that there had been great investment, with £2 million to £3 million a year being invested in recent years, but the port looked to me like a third-world facility. I was actually quite embarrassed. Surely more investment is required, perhaps of the order of what we hear is proposed for Aberdeen. That is the scale of investment that is required to make Grangemouth fit for purpose and able to compete with ports in other countries around the world.

Charles Hammond: It is interesting that you say that, and I am sorry that you did not get the right impression. You should ask the customers at the container terminal. We are achieving productivity in excess of what Rotterdam is achieving just now. At Grangemouth, the ships regularly get turned round more quickly to ensure that they are back on schedule, having been late from Rotterdam.

The thing that really matters in a container terminal is not its appearance: you are looking at an industrial site. Grangemouth is anything but a third-world facility. We invest regularly in the equipment, the IT systems and the craneage. What really matters is productivity, turnaround times at the gate and connectivity with the customer. We ask the customer what they are looking for, and in investing to improve we invest in a targeted way to ensure that the customer's business is facilitated. I would argue that, by any service standard, the container terminal at Grangemouth stands at the top of the performance table in comparison even with a number of the deep sea ports.

I completely agree that we need an on-going commitment to investment and to improving systems and productivity, but at present our customers are very happy with the service that we provide.

Mike MacKenzie: That is an interesting explanation. I noted earlier that you mentioned the link between population and volume, and Scotland is obviously a pretty small country. You do not appear to have aspirations to expand into other areas, or to feel that there is much possibility of that. The population link is interesting, because I have been led to believe that the kind of volume and value of trade that goes through Forth Ports and Clydeport is equivalent to what goes through Reykjavik, although Iceland's population is much smaller than that of Scotland, and that the volume of trade that goes through those two main Scottish ports is about 10 per cent of what goes through

Dublin and Belfast. In that context, would it be fair to say that you have a lack of ambition for expanding Scotland's trade and that that might be a constraint on our economic growth?

Charles Hammond: No. There is absolutely no lack of ambition, if there is business to be handled, and we are out there in the market every day talking to customers. The other thing to remember, of course, is that a lot of the trade that goes out of Scotland actually finds its way down to England. It is not going through the ports; it is being driven down. We need to think about taking that type of traffic off the road and facilitating more coastal shipping. In measuring trade, it is always worth bearing in mind that England is still Scotland's largest trading partner.

In terms of ambition, we want to grow our business and we have grown it substantially over many years. I have been with Forth Ports for 25 years now and the business has grown astronomically in trade, finance and investment. I would certainly be happy to match anybody's ambition in what we want to do, whether that is in oil and gas, in chemicals, in whisky or in emerging new industries. The key is to look at our trade patterns with England and at how much coastal shipping we can bring back.

We have a number of examples of coastal services. The very small port of Kirkcaldy has been resurrected and now plays an important part in the local economy, all through a coastal shipping link that we facilitated with Carr's Milling Industries for a regular shipping service. That is an example of the type of thing that can happen to get traffic off the road.

Mike MacKenzie: I am still struggling to understand the huge disparities in trade between other countries that are more or less comparable. I accept that, geographically, they may not be identical, but it seems to make much more sense to have more ambitious plans to take traffic off the road and to make an investment that would facilitate that. However, I shall move on.

The Convener: Do you want to respond to that, Mr Hammond?

Charles Hammond: I think that I have made my point. We are ambitious and we want to take traffic off the road. Those other countries are islands and have no other means of getting their goods out.

The Convener: That is fine. I just wanted to make sure that you felt that you had had a fair hearing.

Mike MacKenzie: Do you anticipate any changes in the future? Obviously, trade patterns will change and the type of commodities that may need to be transported will change. Is there a degree of anticipation of future developments and

future proofing in your investment plans? That is a more general question, but please feel free to lead off.

Charles Hammond: We are constantly investing in new management information systems and IT systems. We get the benefit of looking at best practice across our whole group to ensure that we are at the leading edge. There will be a tendency towards greater automation as we go forward; there is no doubt about that. I anticipate that, 10 years from now, some of the straddle carriers at Grangemouth will be automated, and that we will be involved in automated stacking and instantaneous information exchange. More and more ships in the river are fitting transponders, so there is a degree of anticipation in how we look at investment for the future, but investment must ultimately result in greater productivity.

One interesting thing is that, as the UK's major ports group, we had a look at the productivity of the whole port sector and found that it has improved its productivity by 19 per cent since the financial recession in 2008-09.

Mike MacKenzie: I have one final question on that, because I am still struggling a wee bit with it. I am glad to hear about the ambitious plans in Aberdeen. In Montrose, an £8 million investment is considerable, pro rata to the size of port. Forgive me, Mr Hammond, but what I am trying to get at and what concerns me is whether the private ownership model is serving us well and is providing a modern facility with ambitious plans to increase the trade that flows through our ports. Is the model that you operate the best one? That is not really a criticism, as we all operate under constraints. If you can be objective, do you feel that you can secure the necessary investment that you would ideally like so that we have model ports and, if the committee undertook another visit five or 10 years down the line, we would say, "Wow, Scotland is at the cutting edge of ports, not just in Europe but worldwide"?

Charles Hammond: I am fortunate enough to have been in the industry for a long time, and I have worked under a trust port set-up, a public company set-up and a private company set-up. There is absolutely no doubt in my mind that the best model for expanding and growing the ports business is private ownership.

There is absolutely no lack of finance. You talk about constraints, but I do not have finance constraints. For the right projects, we can invest. Because ports are facilitators, the important thing that we have to do is invest against market demand. Historically in the ports industry, we have had different models. When the industry invested in supply without thinking about demand, a number of ports got into trouble. In fact, Forth Ports was formed in the late 1960s because ports

were in financial trouble, as a result of that supply-side investment. What really matters is to invest in concrete market demand and ensure that it is met. With the projects that we look at from time to time, whether they are for £50 million, £20 million or £30 million, the important thing is that we meet a genuine market demand.

I referred to £15 million a year. Over the past 10 years, that is at least £150 million of investment across the piece. We could easily double that. We have the capacity to do that as long as there is market demand for that.

Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP): We heard from Mr Paterson that Montrose has doubled the traffic that goes through the port with a combination of investment and marketing. Clearly, there is demand for a well-run, efficient and relatively low-cost port facility. I have a statement from an observer of the scene, who says:

“Scotland’s major seaports are today self-regulating estuarial monopolies owned by offshore registered private equity funds.”

In essence, they look after their own interests and charge economic rent in their port charges. The argument is that, because of the way that the port system is owned and regulated—or not, as the case may be—Scotland’s ports are severely underdeveloped, and we should establish a maritime transport policy to address that. How do you respond to that criticism of your operations, Mr Hammond?

The Convener: Could we make the witnesses aware of who made that statement?

Adam Ingram: Okay—do you want to do that, convener?

The Convener: It is in a submission that we received from Professor Alfred Baird, who is professor of maritime business transport at the transport research institute of Edinburgh Napier University.

10:45

Charles Hammond: I will not make any comment. I know Alf Baird well—we have all known Alf over the years. I do not think that that is a particularly well-informed view of our business—I suppose that it is aimed at Forth Ports, because we are probably the only private owner, and I cannot imagine that the comment is aimed at Babcock.

All that I would say is that we are owned by infrastructure funds. Those infrastructure funds represent pensions that everyday people invest in. Those people are interested in investing in assets that mature in the long term and give stability. Our business has grown consistently over the years

since I have been there. I can give you an indication of value, all of which has come through investment. Forth Ports floated on the stock exchange in 1992 with a value of £30 million and a limited capital base; it now has an enterprise value of more than £1 billion and does not have constraints in terms of its investment.

I think that Professor Baird is a fan of the “just invest and they will come” philosophy. However, my view is that you have to look at genuine market demand and then invest to meet that demand, as long as you have the financial capacity to do that. Our shareholders are incredibly supportive of any investment plans that we bring to the board. I have never had a proposition for investment turned down by the board of Forth Ports.

That is my general response. We remain committed to investing in all our ports to improve the facilities and the services that we provide to our customers.

Colin Parker: It breaks my heart to be nice to Charles Hammond, but I could perhaps take some attention off him.

We have been asked about change. The reason why we are looking at Nigg Bay is because our traffic is changing. The vessels are getting bigger and there are new requirements in relation to the offshore renewables sector, which several of us are looking at in relation to future developments. The decommissioning prize out there is estimated as being between £30 billion and £40 billion. That is a major prize. If ports on the east coast of Scotland do not invest in that area, the work will drift away to Norway or further south in the United Kingdom. Because of the centre of excellence around Westhill, where most of the oil and gas dive support expertise is based, there is pressure on us to provide more berths for the larger vessels that are associated with that.

Another tremendous prize out there—which Charles Hammond is handling on a much greater scale than we are—involves cruise vessels. The North Sea is seen as being a safe destination and our area contains royal Deeside, castles and distilleries, as well as Trump golf, which is already generating quite a bit of interest in Aberdeen. However, we do not have the capacity for the kind of vessel that we would be talking about in that regard.

We are adapting to the changes that we see coming down the line, but we had 27 vessels at anchor off the harbour yesterday morning, so there is demand for capacity already, and that is what we are looking to adapt for.

Mike MacKenzie: I absolutely applaud the investment that you are making, and you make a very interesting point with regard to decommissioning work. You will be aware that

other ports, such as Lerwick and, I think, Wick, have an interest in that as well. Is there a need for a strategic approach in order to overcome the danger that the various facilities will make investments in competition with one another when, perhaps, it might be better to concentrate some of or all that activity in the specific ports that are best placed to handle it, rather than duplicating effort by introducing too much competition into the decommissioning market?

Colin Parker: I think that the decommissioning market will select the most appropriate support for the type of activity that needs to be undertaken. Lerwick has a large area for cutting up large topsides, which is not something that you would want to do in Aberdeen. However, there is a lot of subsea activity—I have heard it being referred to as plumbing work—that needs to be done before you start taking away large structures from the offshore sites, because they are all interrelated and there is a lot of pipework around subsea wellheads and things. That work does not require the kind of facilities that Lerwick is looking to specialise in. There is such a wide variety of requirements for various sorts of expertise that I do not see any reason why all the work should happen in one particular port.

The Convener: We need to move on now. James Dornan has some questions.

James Dornan (Glasgow Cathcart) (SNP): This follows on from what Mike MacKenzie has just said. Is there sufficient competition between the Scottish ports to obtain the best results for customers and, therefore, the Scottish economy?

Colin Parker: Yes, I believe that there is a fair amount of competition out there. We do compete with one another. An awful lot of what is done on the agricultural side tends to involve the hinterland that a port supports, but there are other aspects of activity that we compete on.

John Paterson: The issue is geographical in the first place: to save road transportation costs, importers and exporters will consider the closest port first and then they will see what facilities there are on the shore side to accommodate that import or export. We all get our share.

James Dornan: The investment decisions that you make are therefore not based on competition with your fellow Scottish ports.

John Paterson: They can be, but it depends on volumes and the facilities that are required. If facilities can be built that can serve several different types of trade, so much the better. If facilities are very specialised, there might be only one customer for them. It is a mix.

James Dornan: One issue that has come up a number of times is the additional cost of

repositioning empty containers for Scottish shippers. Have you observed any change in that area? If it is still an issue, can you identify any likely solutions?

Charles Hammond: Empty repositioning is always difficult, and we would always want to encourage it, because it facilitates exports. For me, that is where the coastal shipping links are quite important.

It is a matter of trying to get cargo back into Scotland, too. We are trying to link up Tilbury with Grangemouth at the moment, so that we have containers in Scotland to take advantage of exports. The difficulty is that a lot of the lines run containers up by road, which is not a particularly good or cost-effective solution. That is where I think regular coastal shipping can come in to help with the situation.

James Dornan: How do you go about facilitating or encouraging that?

Charles Hammond: We seek to link customers up. A number of customers use our facilities in the London area and have a Scottish business as well. They might bring in plywood for the construction market, for instance. It might come into the south-east, with some of it then coming up to Scotland. We link up plywood shipments in containers, which link up with feeder ships, which will then run between, say, Tilbury and Grangemouth, but they will also call at Immingham and Teesport as they come up the east coast and they will triangulate with Rotterdam. The boxes find their way up to Grangemouth. Sometimes, there is a mixture of empty and full boxes. That is the kind of link that we would encourage.

James Dornan: Are you having any success in growing that market?

Charles Hammond: Yes, we are. It is a question of getting what is called critical mass. That is the difficulty with coastal shipping: there has to be a certain amount of cargo from the start to make the service viable. It is a case of getting several customers together with the feeder line to put that type of proposition together. There has been a bit of early success, and it is something that we are working on more and more through the links between the two ports.

James Dornan: Is there one specific thing that you can think of that could be done to improve things?

Charles Hammond: A clearer system of support for coastal shipping would help. We have coastal shipping, but not on the scale that we perhaps should have. You have to consider the whole question not just of the economics but of the carbon emissions.

John Paterson: We are not involved in containers at Montrose, so we do not have that type of problem.

Colin Parker: We operate at a very much smaller scale than Charles Hammond's ports and deal with a very different style of traffic. The containers that we handle are specifically linked with the lines that operate. In other words, the west Africa services bring in their own containers, and Streamline Shipping Group, which operates to the Northern Isles, and Sea-Cargo AS, which runs a twice-weekly freight ferry to Norway, have their own containers. We had a feeder service many years ago, and we found it to be a major challenge.

In any case, I am not sure whether the ports are the answer to the issue of repositioning containers; for that, you would need to talk to the shipping companies. That is my understanding of the situation: ports facilitate things by providing the space to store containers, but it is the shipping lines that reposition them.

James Dornan: That is a fair point.

Mr Parker spoke about the increasing size of container vessels, but how does that affect the Scottish ports' ability to serve Scottish trade?

Colin Parker: The vessels that I was talking about are the subsea dive support and construction vessels. Cruise vessels are getting bigger all the time, too, but I think that Charles Hammond is probably the person to speak to about container vessels.

Charles Hammond: Over the past eight years, the size of feeder vessels has just about doubled, and you will have seen the ultra-large container vessels that are being handled for the Maersk Group, China Shipping and a number of the other deep-sea lines. That is another reason why we are carrying out deepening work at Grangemouth. At the moment, we are fine; there is no problem with the size of the feeder vessels that we currently handle. However, we expect those vessels to get larger in future, and as we move towards feeder sizes of about 1,800 to 2,000 20ft equivalent units, we will need to carry out the deepening work and improve capacity at Grangemouth. That is why we have included that work in our investment plans.

James Dornan: So you are already investing in deepening the port to take on those vessels in future.

Charles Hammond: Yes.

James Dornan: Thank you very much.

Finally, what impact do you expect from the introduction of the SECA regulations?

Colin Parker: The oil and gas industry was already predominantly using the fuels that people

are now required to use for modern supply vessels. As a result, we are well ahead of the game in that respect.

The Convener: I should point out for those watching at home that SECA stands for sulphur emission control area.

James Dornan: Those hundreds of thousands of people will be delighted that you have made that clear, convener.

Colin Parker: There has been minimal impact at Aberdeen, but probably the biggest impact has been felt on the Scottish Government-subsidised Serco NorthLink ferry, which has had to change from a much lower grade of fuel to the new grade. I have not spoken to anyone about this, but I presume that the drop in the oil price has been a significant help in addressing any impact. However, Serco NorthLink would be better placed to advise you on that matter.

Charles Hammond: I agree with that last point. We lobbied against the regulations, because we felt that, in applying only to the east coast and not the west coast at the moment, they were discriminatory. Because of the regulations, ferry companies across the UK have had to add surcharges, but fortunately the regulations have coincided with lower fuel prices as a result of the lower oil price. However, we do not know whether that situation will continue.

Clearly, the surcharge is greater the more that you are at sea. That means that the Rosyth to Zeebrugge ferry services are comparatively at a disadvantage to the services that go to Zeebrugge from Teesport, Hull or even Tilbury, on which there is less of a surcharge. The regulations have had a disproportionate effect on us, and we are working with the Scottish Government and DFDS Seaways to ensure that the Rosyth ferry service has a long-term future.

James Dornan: Thank you for that.

Alex Johnstone (North East Scotland) (Con):

I want to ask about land access to ports. I know Aberdeen and Montrose well—and I certainly know that at certain times of the day Aberdeen is surrounded by a big traffic jam and that Montrose has other problems with tight access in some places and poor-quality access to the trunk road network. In general, however, what do you think of the road access to your port facilities? Does it need to be improved?

David McGinley: We use the fact that we are near the bridge, the railway and the airport as a unique selling point for doing, say, crew changes for Aberdeen. After all, guys travelling from the south or the north can come straight off the main trunk routes into Rosyth. We see that as a benefit,

and the opening of the new bridge will be a further benefit.

11:00

Colin Parker: The situation in Aberdeen is challenging. It has certainly been challenging at Market Street since the opening of the Union Square shopping centre—an unfortunate conversion of a rail freight yard.

Alex Johnstone: We will come to that.

Colin Parker: Among the attractions that we feel Nigg Bay offers are a road to the south and potential links into another industrial estate at East Tullos, so we are working with our local authorities and the regional transport partnership to look at how that can be developed. More support for that as an NPF3 project would be advantageous. A big selling point for Nigg Bay would be that it is clear of the city centre in Aberdeen.

Charles Hammond: When David Whitehead gave evidence to the committee, I think that he mentioned the importance of the last mile of road into a port, which I think is a very good point. I also back what David McGinley said about Rosyth. Obviously, we operate in the port at Rosyth, and Fife Council invested in the spine road, which is a direct link from the M90. It was a very good investment that has definitely helped. Dundee City Council has invested in helping us with a new entrance—we also invested in it—at the east end of the port of Dundee, which has helped with both the renewables market and the North Sea oil and gas market.

However, there are a couple of problem areas in our ports. There are certainly good road links into Grangemouth, but Avon Gorge is an area where we feel that access to the west could be improved. For the port of Leith, the roads in Edinburgh, as the committee will know, are pretty congested, and the last mile into the port there is a very important one. Leith is still a key facility on the east coast of Scotland but its road links are on a par with the situation in Aberdeen that Colin Parker described.

Alex Johnstone: Does Montrose have specific problems?

John Paterson: No. You are very familiar with its layout. The south side does not have a problem, because the A92 passes by the port's gateway. However, when using the north-side gateway, you still have to go through the town, where there is a lot of traffic activity. Schemes were devised by consultants in the past, as I think that you are aware. For their research, the consultants went into the cabs of many lorries leaving or entering the port and discovered that the lorry drivers were quite content with the road

systems, so that took a bit of the steam out of the project.

Alex Johnstone: I have been in a car that met one of those lorries.

John Paterson: The roads are not a major problem for us.

Alex Johnstone: We have had evidence from people who are not represented here today relating to access to the trunk road network and the trunk road network itself. I note that Forth Ports mentioned the Avon Gorge access to Grangemouth. Are the witnesses concerned about any issues regarding the broader road network in terms of access to ports?

Colin Parker: None that I have not already mentioned.

John Paterson: As Mr Johnstone will be aware, there is unfinished work between Arbroath and Montrose, but I hope that that situation will be rectified in the not-too-distant future. However, road access to the port is not a major problem for us.

Alex Johnstone: On rail access, a lot is said about getting traffic on to the rails. However, as Colin Parker mentioned a moment ago, up until a few years ago there was a large goods yard in Aberdeen, with rail tracks even leading on to the quays in some places, but all that has been lost.

Colin Parker: The tracks were no longer connected to the quays before the goods yard went away. At the time, Aberdeen Harbour viewed the closing of the rail freight yard as a loss, although the amount of traffic that passed through it was not significant. However, we believed that closing the yard was not the right move in terms of integrated transport. We also believed that building a shopping centre there might cause problems, and we have been proven correct in that.

We have invested in our own rail freight facilities on the north side of the harbour. The calcium carbonate slurry that I mentioned earlier leaves the harbour area by that rail connection.

Also, in East Tullos, which Nigg Bay could link into—not by rail but by road—we believe that we could enhance the rail freight facilities at Craiginchies. Although there is potential for rail freight, there are serious challenges in the infrastructure and the rail network to address before rail freight is a serious option for the freight sector.

Alex Johnstone: What access do the other witnesses have to rail facilities?

Charles Hammond: We have rail siding facilities at Grangemouth. For us, it is quite

important that those rail paths for freight, which are reasonably good, are maintained.

Interestingly, one or two of our customers have experimented in the past with short-haul rail. It has always been accepted wisdom that rail works only over longer distances, but it can work in a very complementary way on a short-haul basis with road transport. Companies such as Malcolm use that quite effectively into Grangemouth.

We would also want the rail link that we enjoy into the port of Rosyth to be preserved. Although that link is not being used extensively at the moment, it has the potential to be used in future.

Alex Johnstone: Does Babcock have access to that rail link?

David McGinley: Absolutely. It is the same position for us, although right now it is not something that we are concerned about.

Alex Johnstone: Is there the potential to use the link more effectively in future?

David McGinley: As I said before, as an engineering company we are more focused on putting things over the jetty and into the sea. For instance, the parts of the aircraft carriers have been brought from various other yards in the United Kingdom primarily by sea or by road. There has been no rail link at all, because of the network down south. It was looked at.

Alex Johnstone: Montrose has a station nearby. Is it an effective part of your operation, Mr Paterson?

John Paterson: Seven years ago, ScotRail invested quite heavily in its goods yard. I have never seen a train in it, though.

The commodities that we are moving in and out of Montrose do not lend themselves well to transfer by rail.

Alex Johnstone: I will ask the question I have here, although it does not seem to apply to the answers that you have given. Is there any way that the rail facilities that you have access to are limiting your capacity?

John Paterson: Not for us.

David McGinley: No.

Charles Hammond: No.

Colin Parker: You have to bear it in mind that ports may well view rail as a competitor, unless they own the facility and generate revenue from it. Rail infrastructure—the network—is challenged enough as it is without focusing on ports alone.

Alex Johnstone: That inspires a question. I was going to ask you about the obstacles to the free flow of rail to Scottish ports and what

improvements might remove those obstacles. I am sure that the question was drafted in relation to physical obstacles. Are we perhaps looking at a situation in which a regulatory or a competitive problem might be driving a wedge between rail and the shipping industry?

Colin Parker: As I said, we have invested in a rail yard to the north of the harbour. We put in two additional sidings and there are two sidings used by the slurry people. However, the interest is minimal. Initially, there were some cargo flows from down in England, with some base oil, but that dried up a few years ago. We are not aware of any serious interest in the network, because of the associated challenges.

Alex Johnstone: Is it fair to say that we are looking at a situation in which there is access to rail, but it is not being used a great deal?

Charles Hammond: That is a reasonable point. Although rail is being used to a certain extent, we would want to keep the freight connectivity that we have.

Colin Parker made a good point about competition. There is a lot of competition in the container market. We compete not just with Greenock and the west coast, and ports such as Teesport and Tyne, but with Freightliner. We have a perfectly good relationship with Freightliner. We work with it and we are its landlord down in Tilbury. It is a kind of multifaceted relationship. It does not get in the way of any potential, but there is competition there as well.

Mike MacKenzie: I just wanted a clarification from Mr Hammond. Did I hear you say that you intend to invest in completing or installing the last half mile or so of rail that would take rail provision right down to the quayside in Grangemouth? Did I misunderstand that?

Charles Hammond: I do not recall saying that, but there is potential to increase the capacity of rail at Grangemouth if there is demand for that. We have looked at that in the context of the feasibility of linking up, expanding capacity and building new warehouses. The other possibility is that we could have rail-linked warehouses in the ports. There is a scheme that would do that, and I would not rule it out, but we have not yet started it.

Mary Fee (West Scotland) (Lab): I want to ask a bit more about short sea and ferry transport. A lot of what I am going to ask has been covered, but you may want to expand on it.

All the UK deep-sea container ports are located in England, and Rosyth-Zeebrugge is the only international ferry service in Scotland. A lot of lorry traffic comes from the roll-on, roll-off ferries that operate between the west coast ports and Ireland. It has been mentioned that there is a feeling that

the Rosyth-Zeebrugge service is running at a disadvantage because there are access and storage issues, particularly at Rosyth. We have mentioned the SECA regulations. Could anything be done to make international ferry operations from Scotland more sustainable and to increase the amount of cargo they handle that is destined for Europe? Is there anything that you have not mentioned?

Charles Hammond: I would put the ferry service in the context of all the short sea services that I see going to Europe—that is important. The service from Rosyth to Zeebrugge runs three times a week. As well as that, we have nine calls a week at Grangemouth. The current ferry service is handling a total of about 39,000 units, which includes about 11,000 trade cars and 21,000 containers. The alternative route for those containers would be through Grangemouth, because of the frequency of calls.

The frustrating thing for us and for the Scottish Government is the fact that the hauliers have not made greater use of the ferry service for trailer traffic. It is a catch-22 situation: we need better frequency for that to happen, but even when there was better frequency the ferry was not used as much as it needed to be. That is a difficulty.

We are aiming towards a long-term sustainable future in the total mix of business, and the Scottish Government is considering whether a new compliant liquid natural gas vessel could be built and operated on the route. We very much support something like that, which could be worked in partnership with the Government and the operator. That was the purpose behind the memorandum of understanding that we entered into late last year.

Mary Fee: Does anyone else want to comment?

Colin Parker: We have a twice-weekly ferry to Norway as well. Rosyth-Zeebrugge is not the only international ferry service in Scotland.

Mary Fee: Is that a successful operation? Are you planning to expand it? Could anything be done to make it more sustainable?

Colin Parker: In the past 12 months, the frequency has been increased from once a week to twice a week. That was done to address competition from another service that linked us with Norway and round to Russia at Murmansk, although that other service has now ceased to operate. It is a successful service that has been established for around 30 years, and it links Aberdeen with the west coast of Norway.

For many years, there has been talk of short sea shipping—the most difficult part of that is pronouncing it.

Mary Fee: I was going to ask you about that next, but you said it first.

The Convener: This is a family show.

Colin Parker: I am glad that I got it right.

The big thing in that context is putting your money where your mouth is. If you want to promote shipping, the Government should do more to go out and speak to people who are exporting.

Mary Fee: Is that specific to short sea shipping?

Colin Parker: Yes—to coastal and continental shipping, which Charles Hammond mentioned, including to Norway and the likes. The Government must get out there and talk to people about it in order to support the shipping industry. There are freight facilities grants and so on available, but the process of getting such things is a maze. If the Government is serious about supporting the shipping industry, it should get out there and promote it by putting people on the road and talking to exporters.

Mary Fee: Would that also mean a simplification of the grant schemes? You said that it is a maze. I know that my colleague will cover that a bit more.

11:15

Colin Parker: I am not an expert on the grant system—I have enough trouble with sudoku—but I believe that it could be made simpler.

John Paterson: We have no ferry services, despite the south quay being in Ferryden—the ferry has long since gone. However, short sea shipping is an important element of our trade, and it works quite well.

Mary Fee: How do you promote that?

John Paterson: We promote it among our existing users, and when we are marketing to people who are not our users, we mention that short sea shipping—that is quite tricky to say—is the business that we are in, that we think we are good at it and that the short sea shippers are good at it.

Mary Fee: Well done.

Colin Parker: You are just showing off, now. *[Laughter.]*

John Paterson: I am going to trip up. I will not try to say it again.

Mary Fee: How do you promote that in ports down south? What promotion do you do? How do you work with partner ports?

John Paterson: We tend not to have a close relationship with partner ports. We all know each other anyway, and if there will be a benefit in colluding with another port we will do it informally. The marketing of the movement of commodities is not part of our front line. It is the importers and

exporters who do that, although we often help them.

Charles Hammond: John Paterson made a good point. In the short sea shipping market, the links and feeder markets are important. For example, developments such as the Maasvlakte at Rotterdam are important because, very often, if there is congestion in Rotterdam, that will frustrate Scottish exporters in getting their goods to market.

We build links. We know the port of Rotterdam and the major terminal operators at the Maasvlakte, and it is similar with Antwerp and Zeebrugge as well as Hutchison down at Felixstowe. That is an important initiative to ensure that there is always capacity for the feeder ship at the major terminals to make the link work. I think that more can be done on that.

David McGinley: Triple-S is not something that we are involved in, I am afraid.

Mary Fee: That was very clever. *[Laughter.]*

David McGinley: Going last has its advantages.

David Stewart: What is your experience of using freight grant schemes such as freight facilities grants?

Charles Hammond: We have successfully received one or two freight facilities grants and so have our customers. However, the system is complex and it is difficult to understand. I am probably on a par with Colin Parker, given what he said about sudoku. In my view, the whole system could be made simpler and more transparent. I feel sorry for the people who have to administer the schemes. There is definitely a case for greater simplicity and, if we can get it, greater support for services that start up.

We can build the infrastructure on either side. We are quite happy to do that, in the interest of sustainable services. There is no problem with that. The issue is viability, especially in the first six to nine months, and getting enough cargo for a coastal service or a short sea service. That is where the scheme should be targeted.

David Stewart: There have been some really good examples of grants. In the Highlands and Islands, Boyd Brothers (Haulage) Ltd in Corpach got a waterborne freight grant of nearly £1 million, and its scheme is equivalent to 6,300 heavy goods vehicle journeys, which is phenomenal. Particularly in my patch—the Highlands and Islands—there are real constraints on road and rail and, as we heard in the debate yesterday, they are not just about single-track capacity as, particularly for haulage, there is also a height issue. There is therefore great potential for modal shift. However, I was surprised to find that there have been no awards of freight facilities grants, which is the main one of the three grant schemes,

since 2011. Is that correct? I know that a freight facilities grant was used at Montrose.

Colin Parker: I am not sure about the date, but I know that there has not been any interest in those grants for quite a while. I do not know whether that is to do with the complexity or just because it is too much effort.

David Stewart: Obviously, I am speaking to the prejudice of my audience, because the witnesses are clearly keen on that, as am I. The wider picture is that the Government has strict climate change targets and the freight facilities grant is an ideal way to try to reduce emissions. The fact that no awards have been made since 2011 is really surprising.

Mr Paterson, I think that you mentioned that you made a successful bid.

John Paterson: Yes. The freight facilities grant that we were awarded was completed in 2011. When we came to the next phase of construction, which was not dissimilar, we were prevented from applying for another grant because we had used up the road mileage savings from all the quays in the port for the first grant. Part of the process for that was to persuade the officials concerned that we were looking at the whole harbour, although we were repairing only two quays that had collapsed into the sea. They had to be seen as part of the team, if you like, of all the berths, because otherwise the application would not have worked. Therefore, I used up those savings. It is complex, as you suggest, but I am thinking of doing it again.

David Stewart: Will you explain how complicated the application process is? Does it prevent chief executives throughout Scotland from making applications?

John Paterson: Yes, it can do. The only reason why I was successful was that we got a knock on the door one day from a bunch of farmers who wanted a site adjacent to one of the quays to build a new grain terminal. With the throughput of the proposed grain terminal and all the road miles that it would save when compared to taking grain down to Berwick or wherever, there was a huge road mileage saving and we were able to get the grant. It is not easy to do, and that was a stroke of luck.

David Stewart: Did you need to bring in outside consultants who are experts in the process?

John Paterson: Oh yes.

David Stewart: That would be a cost to you, as well. Did you have to pay for that?

John Paterson: Yes, but it was a worthwhile cost. The group of farmers who built the grain terminal also got a grant using the same set of consultants, who were from down south.

David Stewart: Could you claim the fee for the consultants from the freight facilities grant?

John Paterson: No.

David Stewart: So that was a direct cost to your business.

John Paterson: It was a direct cost, but the grant was a bonus.

Colin Parker: If a grant system has not been used for the past three or four years, the challenge appears to be marketing. If we built a quay and nobody came, we would market it and chase it. I am not suggesting that anybody said this, but if there is almost criticism of an industry for not using a grant, that shows that something is wrong with the system.

David Stewart: I can see some parliamentary questions coming out of this discussion. I was surprised to find that that major element has not been utilised for many years. I had some experience of it relating to Gordon Timber in Nairn, which is a timber processing firm that utilised the freight facilities grant to bring timber from Skye into the port in Nairn. That was an excellent example. I am concerned that we are not utilising a grant that is there. The scheme is still available and open but, as far as I can work out, it is not being used.

Colin Parker: We recently provided the contact details, which we got from Transport Scotland, to a customer, but I am not sure whether the customer pursued that.

John Paterson: I would say that, in relation to ports, the Highlands have always been more favoured by grant systems than the rest of us, and I am a Highlander. I managed the port of Peterhead for almost 20 years before I retired and then went to Montrose. At Peterhead, I chased fish-related grants through European funding, which was an awful lot easier than anything that I have encountered in other ports.

David Stewart: I suppose that it is all relative, because I have heard that those grants are very hard to get, too.

Mr McGinley, do you have any experience in this area?

David McGinley: No, we have not looked at freight grants at all. We have applied for building-type grants with Scottish Enterprise and have been reasonably successful. We have not found that too difficult.

David Stewart: Leaving aside the grant schemes, do you feel that there is a drive within the sector to move more freight away from road to water?

Charles Hammond: I would say that it needs to be encouraged and facilitated.

I suspect that some of the issues with freight facilities grants are not just to do with accessibility. There is always the inherent suspicion that such grants will be used just to move a piece of business from one location to another, whereas the examples that you have given are genuine examples of freight being moved by sea rather than by road.

The grants have to be made simpler and they should be targeted more towards the ship owner. I agree with Colin Parker that they need to be marketed better. I do not think that there is a problem with grants only in Scotland; there is also a problem in the UK.

David Stewart: There are UK-wide schemes, and there is co-operation between the Department for Transport and Transport Scotland, but it is a bit of a concern that we are not utilising the existing grants better.

Do any of the other witnesses have any comments?

Colin Parker: I do not believe that there is a strong drive for certain parts of the freight industry to have stuff carried by sea. We are at an advantage in that there are no roads out to the rigs and the platforms in the North Sea or to the northern isles or Norway, but it is very easy to put freight on a truck and have it taken south by road.

The point was made earlier that higher tonnages pass through Belfast and Dublin, but that is simply because Ireland is an island, which means that freight has to be carried by sea. As Charles Hammond said, a great deal of freight goes down to England by road, or vice versa. That is what we are competing against.

David Stewart: I was at Ferguson Transport and Shipping in Corpach, which some of the witnesses might know about. Because it is an integrated operation in the sense that it has sea and port interests as well as haulage interests, it is much more interested in transferring freight from road to sea. However, few companies have that level of integration.

Are there any other points that we have not covered in this area? It appears not. Thank you, convener.

James Dornan: I take it that the witnesses are pleased that the modal shift grants were retained in Scotland when they were not retained in England. What representations has the industry made to the Government to clarify and simplify freight facilities grants, given that they appear to be extremely difficult to access?

Colin Parker: I could not honestly say. Other than a recent referral involving a customer about the freight facilities grant, it is not something that we have spent any time on.

Charles Hammond: I think that the industry bodies—the United Kingdom Major Ports Group and the British Ports Association—have made such representations. I am not aware of when they last did so, but they have regularly made representations about that.

John Paterson: I think that it would be worth making them again. I have been successful in getting a freight facilities grant, and if other companies are straying away from freight facilities grants, the reasons ought to be sussed out.

James Dornan: We will look at that.

Adam Ingram: I would like to get some feedback on how to reduce Scotland's carbon footprint. How can the water freight industry contribute to doing that? You might want to refer to the use of technology and how it could be applied to your industry.

11:30

Charles Hammond: I will kick off with what I always find is an interesting statistic. As a group, we emit about 40,000 tonnes of carbon in providing services, and we believe that we save the UK economy more than 12 times that amount.

It comes back to our friend short sea shipping, more of which would certainly reduce carbon emissions. However, other technologies are available. We are looking at LED lighting, more fuel efficient engines, technology that limits emissions and that type of thing. We have a standing environmental group that looks at what we are doing at Tilbury and what we are doing in Scotland so that we can combine the best practices. We are pretty successful at limiting carbon emissions even in years of growth. However, modal shift—taking traffic off the roads down to England—would do more than anything to reduce emissions. There is an argument about where those emissions are happening—it depends on the length of the road journey—but that would still be a good thing to do.

David McGinley: I echo that sentiment. Babcock takes the same approach in trying to reduce our carbon footprint at any opportunity.

Colin Parker: The same is true at Aberdeen Harbour. We have fitted some LED lighting and we are looking to do more.

Ports should be viewed as facilitators for addressing the carbon issue. There is what I would describe as a long-held myth about cold ironing—as the Americans call it—shore power on

to vessels. It depends on the type of vessel that is operating through the port. A lot of the vessels in Aberdeen harbour use cranes and winches while they are alongside, and it would black out Aberdeen if we tried to plug them into the grid. There is not the power available for that sort of facility. Some vessels such as the ferries could consider cold ironing for the time that they are in port, but it would be incredibly expensive and there is a lack of certainty about whether the power would be available for it. At the end of the day, the power would be generated by a coal-burning power station, so would that really achieve anything? The efficient modern engines on vessels probably provide power quite efficiently anyway.

Adam Ingram: We heard in evidence during our consideration of the budget that there are new transport information systems and developments in logistics. Are all those applied in your industry?

Colin Parker: The sophisticated logistics support system that our users—the oil and gas companies—use makes them as efficient as possible in the movement of goods and materials, and there is a lot of investment in that technology. We also have our own technology to make information available on our website about where vessels are and so on. However, although ports can contribute to that, they are not the major players in it.

Mary Fee: I want to ask about Government support and policy. In the submissions that we have received, there is a feeling that there should be a hands-off approach to ports policy and that it should be private sector led. Can you identify any policy or regulatory obstacles that impact on the free flow of freight by sea, road and rail? Could the Government do anything in particular to help the interconnectivity of freight?

John Paterson: I have not hit an obstacle. If I had hit an obstacle that was created by the Government, I would have reacted immediately by approaching my local MSPs, who would have been familiar with the problem. However, the issue has not arisen.

Colin Parker: Aberdeen Harbour and the associations—the British Ports Association and the United Kingdom Major Ports Group—have a very good working relationship with Transport Scotland. I find it very user friendly compared with its counterpart down south, and I would not want to suggest any changes there.

David McGinley: I agree.

Charles Hammond: We have talked about the accessibility of grants and road connections. A more joined-up approach on forecasting future market demand with others in the UK and better awareness of what is going on on the continent

would help. When we talk about trade and facilitating trade, an awareness of what is going on elsewhere is really important, as is consistency of approach in forecasting between Scotland and the rest of the UK.

Mary Fee: But on the whole, the regulation works well. What about planning policies? Do you see any issues with the planning system in relation to the national planning framework? Does all that function effectively with your set-up and your strategies for planning ahead?

Colin Parker: We got involved in trying to become a project in NPF3 with our Nigg Bay project in Aberdeen, and that was very successful. We found that dealing with Mr Mackay, who sat here before me, and his officials was very effective. Therefore, we can only say that the approach seems to work.

As I mentioned earlier, an NPF3 project should perhaps receive more support beyond that. Part of the Nigg Bay designation in NPF3 is because of the supporting infrastructure. More funding could be put towards that in the future.

John Paterson: I have always found at all levels that politicians in ports are very keen to be of assistance and that when I have applied for grants, particularly in Peterhead, there has been great support from politicians at all levels.

David McGinley: We are pretty much in the same place. We work very closely with Fife Council on the NPF for Fife; indeed, we have worked very closely with MSPs on the national planning framework. Therefore, we are very comfortable with that.

Charles Hammond: I agree. I do not think that there are any comments to be made about Scotland any more than about the rest of the UK. I think that we all push for a more efficient and streamlined planning system. When there are controversial planning applications, the arguments can easily be aired in the first few months of the application, but it tends to take too long to air the arguments. However, that is not just a problem in Scotland; it seems to me that that is a problem everywhere.

Mary Fee: So if there was some way to shorten that process—

Charles Hammond: Yes.

Mary Fee: Okay. Thank you for your positive responses.

David Stewart: I want to ask the witnesses about Scottish Government policy as far as their industry is concerned. If you were the minister for transport for the day, what would your priorities be for your industry?

Charles Hammond: I would want to support greater connectivity. I would be very supportive of coastal shipping and a transparent grant system, and I would ensure that our ports had proper road connectivity. Those would be my priorities. We have already touched on them.

David McGinley: For me, it is probably more about communication and engagement between ports in Scotland. I do not think that there is enough of that. We could open up a whole load of areas if we were just a bit more connected.

Colin Parker: We are hosting the Scottish ports meeting next month. If David Stewart wants to come along to that, ports from all over Scotland will be involved in it.

To support what Charles Hammond said, it is about the last mile of road into a port, which the British Ports Association mentioned. Roads authorities must recognise how significant that is. That applies to airports, as well—it certainly does in Aberdeen. It is a matter of recognising how important that is for ports, the competition that is faced with air and road users, and how significant the last mile is for maximising the efficiency of getting freight off the roads.

John Paterson: Colin Parker and I have both been in the chair of the Scottish ports group of the British Ports Association in the past. That is a very strong group within the BPA. We are the envy of England in that regard. Because we share ideas despite the fact that we might be in competition with each other, we feel that we are putting our best feet forward thereby. As I said earlier, the politicians get the honest truth from us.

David Stewart: On a related question, do we need a refresh of the Scottish Government's freight policy? I will go in reverse order and start with Mr Paterson.

John Paterson: I do not think that anything needs a drastic resetting.

Colin Parker: Everything is always worthy of being reviewed. I would not want to say no. A refresh would certainly be welcome if its aim was to achieve anything in particular.

David McGinley: I am in the same place as Colin Parker on this. Why not have a refresh?

Charles Hammond: I agree. Freight policy should have a higher profile, and there should perhaps be a change of emphasis.

David Stewart: Finally, do you know of any best practice or excellence in other countries, in freight or in your industry in general, particularly examples in which Government has played a role? Do you know of anything that we can share with the Scottish Government about how this sort of thing works in practice?

Charles Hammond: To be honest, I think that the less Government interferes in some of these things, the better. We operate quite happily north and south of the border with minimal interference. An advantage that Scotland has over the rest of the UK is its short lines of communication. I think that that is pretty good, but I cannot think of anything more to add on the matter.

David Stewart: Mr McGinley?

David McGinley: Charles Hammond has just said it all, really.

Colin Parker: I, too, am happy with the party line.

John Paterson: Likewise.

David Stewart: On that consensual note, I hand back to the convener.

The Convener: Finally, gentlemen, of all the points that we have teased out in this evidence session, is there any take-home message that you want to leave the committee with?

Charles Hammond: All I would say is that Scotland's ports do not lack ambition, do not lack the capacity to invest and are up for business opportunities.

David McGinley: I will finish where I started. From an engineering business base that has a port attached to it, we hope to grow and develop the port and take it forward into the 2020s, 2030s and so on. Any Government support that we can get for that will be welcome.

Colin Parker: Ports are a long-term business and you have to take a long-term view of investment. I welcome this opportunity to speak to the committee and, if it helps the profile, that is well and good. As Charles Hammond has said, a higher profile would be much appreciated.

The Convener: I will give you the final word, Mr Paterson.

John Paterson: Thank you, convener. Our first audience is our customers, and we pay attention to them. Like Colin Parker, I am very grateful for this opportunity to give evidence to the committee and to hear what you people have to say about us. Thank you very much.

The Convener: I thank all the witnesses for their attendance and their evidence, and I suspend the meeting briefly to allow them to leave the room.

11:43

Meeting suspended.

11:48

On resuming—

European Union Engagement (Priorities)

The Convener: The final agenda item is consideration of the committee's European Union priorities for 2015-16 and the appointment of a new EU rapporteur. I invite members to consider and agree the priorities in the European Commission work programme for the coming year, as set out in the paper that the clerks circulated prior to the meeting. Are we agreed?

Members indicated agreement.

The Convener: We must also appoint a new EU rapporteur. As members will know from the information that was circulated in advance of the meeting, we have had an expression of interest from David Stewart, who has said that he will be very happy to take on the role. Are members agreed?

Members indicated agreement.

The Convener: That onerous responsibility now falls to you, David.

Alex Johnstone: We should have asked him what his qualifications are.

David Stewart: I have done my cycling proficiency test.

The Convener: Do you want to set out your priorities for the coming year as EU rapporteur? [*Laughter.*] The committee is happy to appoint David Stewart as the new EU rapporteur. That concludes this item and, indeed, today's meeting.

Meeting closed at 11:49.

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