



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

Wednesday 18 March 2015

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INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE
7th 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:

Derek Halden (Derek Halden Consultancy)

Professor Dr Alan McKinnon (Kühne Logistics University)

Dr Maja Piecyk (Heriot-Watt University)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Adam Smith Room (CR5)

Scottish Parliament

Infrastructure and Capital Investment Committee

Wednesday 18 March 2015

[The Convener opened the meeting at 10:00]

Freight Transport

The Convener (Jim Eadie): Good morning, everyone. Welcome to the seventh meeting in 2015 of the Infrastructure and Capital Investment Committee. I remind everyone present to switch off mobile phones, as they affect the broadcasting system. As papers are provided in digital format, attendees may see tablets being used during the meeting.

Agenda item 1 is a further evidence session in the committee's freight transport in Scotland inquiry. This week, the committee will hear from a range of experts from the transport sector. I welcome Derek Halden, of Derek Halden Consultancy; Professor Dr Alan McKinnon, head of logistics at Kühne Logistics University in Hamburg, Germany; and Dr Maja Piecyk, of Heriot-Watt University and deputy director at the centre for sustainable road freight.

I will kick off our session and direct the first question to Professor McKinnon, as he was the adviser to the Local Government and Transport Committee in its 2006 inquiry into freight transport in Scotland. Will you summarise the impact of that inquiry—assuming that there was an impact—and say what difference has made to the freight industry since the publication of the inquiry report?

Professor Dr Alan McKinnon (Kühne Logistics University): The motivation for the inquiry back in 2006 was a petition from the Road Haulage Association, which considered that the Scottish road haulage industry was subject to increased foreign competition. The RHA said that that competition was unfair, because foreign hauliers were moving into the United Kingdom with fuel that they had bought outside the country. The committee addressed that big issue. However, not a great deal could be done, because many of the powers resided in Westminster rather than here in the Scottish Parliament.

A question that we could ask is the extent to which the Scottish haulage industry today is vulnerable to competition from foreign hauliers. It is still possible for hauliers to fill their tanks outside the country, and come into Scotland and operate here with lower costs. However, in the meantime, the heavy goods vehicle levy—a Westminster-

driven directive—has been imposed to try to level the fiscal playing field, if you like, between UK hauliers and those externally. That big issue was well debated at the time. As I said, nothing much happened because the powers resided elsewhere.

I think that there were 50 recommendations in the 2006 report; I will not go through them all and say whether they have been implemented. In many cases, it is hard to know whether they were implemented because they involved asking the Scottish Government to conduct a study or to audit, and one does not know whether that was done internally.

A few things have happened that, I suppose, were recommended. The increase in the speed limit for trucks on the A9 was a recommendation. Concern was expressed about the state of the Forth road bridge. The report did not ask for a second Forth road crossing, although one is being constructed.

Other recommendations were made, but it is hard to judge whether they have been implemented. I will list a few of them. It was suggested that bridges in the Highlands should be strengthened to accommodate 44 tonne lorries. There were many restrictions on the movement of heavy trucks in the Highlands because the bridges had not been checked and strengthened to accommodate them.

It was also suggested that there should be an investigation of the case for night-time delivery in urban areas. As far as I know that has not happened, although initiatives south of the border have looked at the potential for night-time delivery to shops in urban areas.

There was also support for the Rosyth to Zeebrugge ferry. Some of the recommendations have been overtaken by events. I am sure that the committee is well aware that the sulphur emission control areas regulations have imposed tighter environmental restrictions on short-sea shipping. That has made the operation of the Rosyth ferry a bit more precarious, although the Scottish Government has come in and provided financial assistance, which makes the service viable again.

Another recommendation by the committee was that more use be made of long-distance rail freight services between Scotland and the European mainland through the Channel tunnel. Regrettably, I do not think that that has happened. If we compare the total number of freight trains going through the Channel tunnel with what it was in 2006, about a quarter fewer are using it now than there were then. I do not know how many of those journeys started or ended in Scotland, but less use is being made of the Channel tunnel today than before.

There was a recommendation that freight facilities grants be encouraged to shift more freight from road to rail. Scotland continues to make those grants available, unlike the Government south of the border, but I understand that relatively few awards are made. In the meantime, the methodology that is used to award the grants has changed.

The committee was keen to see an overall shift in freight from road to rail and water. In the 2012 study that Maja Piecyk and I compiled for the Freight Transport Association, which has been submitted as evidence to the inquiry, we showed how the freight modal split had changed, and it did not change very much in that time. The freight market in Scotland is still overwhelmingly dominated by road transport and there has been only a marginal shift to rail.

We tend to measure the allocation of freight between transport modes in weight terms. Some of the traffic that the railways have recently secured is of low-density freight that does not necessarily account for a lot of tonnes but which takes up quite a bit of volume on the trucks and trains. The lighter retail traffic that the railways have secured is lucrative for the railways and is something to be encouraged, but it does not add all that many tonnes to the rail network in comparison with, for example, coal or other primary products.

I could go on, but I do not want to bore you with all these details. Those were some indications of the changes that have occurred during the past nine years or so.

The Convener: How would you characterise the impact of the report overall? Is the situation improving or are we moving back the way? What is your sense of it?

Professor McKinnon: The situation is mixed. I am sure that the Local Government and Transport Committee, as it was back then, would have liked to see a more pronounced shift of freight to rail and water but that really has not happened.

I have not said anything about aviation. Air freight out of Scottish airports was declining up to 2006 and that decline has continued. The freight tonnage going through Scotland's airports has dropped by a third from what it was back in 2006.

A number of very positive infrastructure projects have happened in the interim. The M74 extension has been constructed and that has relieved what was Scotland's main congestion bottleneck. We have also got the M77. Those major road improvements have had a big impact on freight movement in that time period. We still have the Rosyth ferry. If it had not been supported, I suspect that it might have been discontinued by now.

There are some other trends that I have not mentioned. I am not sure how important carbon dioxide emissions are to your inquiry, but the study that we did in 2012 suggested that, if anything, the carbon intensity of freight transport in Scotland has declined slightly. The total amount of CO₂ emitted by freight transport has come down, but a lot of that is due to the economic conditions in the recession between 2008 and 2010.

It is hard to sum up the situation in just a few words. Some things are positive and have worked well, while other things have perhaps not delivered the expected benefits. As I said, some of the recommendations were for Scottish Government internal measures and it is hard for me to say whether they have been implemented.

The Convener: Thank you very much. I am sure that we will tease out a number of those issues.

My colleague Dave Stewart would like to ask a brief supplementary.

David Stewart (Highlands and Islands) (Lab):

I was interested in Professor McKinnon's point about the increase in the speed limit for HGVs on the A9, which is a cause that is close to my heart. We discussed it during last night's members' business debate, which was led by Mike MacKenzie.

An interesting issue that the haulage industry has raised with me is that raising the speed of HGVs on the A9—a road that I am very familiar with—from 40mph to 50mph means that they emit less, because it is possible to use a higher gear. That links well with Professor McKinnon's point about CO₂. That is slightly counterintuitive, because we tend not to think that vehicles that travel at a higher speed emit less. I am keen for freight to move on to water and rail, but road transportation will always have a very important role to play, and it is one that I am very enthusiastic about.

I believe that changes in the speed limit are being considered in England, too. In last night's debate, I asked the Minister for Transport and Islands whether evidence from England would be looked at should consideration be given to rolling out the A9 pilot elsewhere.

Professor McKinnon: It is true that there is a sweet spot in the speed of a vehicle at which fuel consumption is minimised—it lies somewhere between 45mph and 60mph. That is also the speed at which CO₂ emissions are minimised.

Increasing the speed of the HGVs also improves the overall flow of all categories of traffic. The fuel efficiency of the cars will probably improve, too, so the measure has a wider environmental and carbon benefit.

The Convener: I have a question for Dr Piecyk and Mr Halden. In general terms, how would you describe the current infrastructure for the freight industry in Scotland?

Derek Halden (Derek Halden Consultancy): I will go first. Like Alan McKinnon, I have been looking at this type of agenda for some years. I want to look at future trends because, through the committee's inquiry, we hope to come up with good things that can happen in the future.

There are four themes under which I think that there is a need to recognise that change is needed in the infrastructure. The first is around the customisation theme, which relates to one of the big changes that are taking place in society. In 1991, I worked on a document entitled, "Roads, Bridges and Traffic in the Countryside". I remember that we put forward the idea of the creation of a freight network. If we had clearly defined freight networks in which particular vehicles went on particular roads, we would not have any arguments about which roads should have a 50mph speed limit for lorries. I believe that that level of clarity and a clear hierarchy in the road network are needed just as much as they were 24 years ago. That would be top of my list.

It is inevitable that that would lead to some physical changes, but we do not know what those might be. All that we will be doing is putting sticking plaster over wounds until we have some clarity about which road we want the largest vehicles to go on and where the consolidation hub should be at which goods will be transferred to smaller vehicles. Until we have that level of hierarchy in the network, we will struggle.

The second theme is around efficiency. We have been looking at the horizontal and vertical integration that we want to achieve between the customers of freight and the collaborators. For example, horizontal integration might involve two slightly different types of product being carried on the same vehicles to drive up efficiency. What are we doing to deliver that sort of thing? Where is the infrastructure to support that?

As far as vertical integration is concerned, we need to look at what we buy and how we manage that, which is related to issues to do with the simplification of networks and business models.

The Convener: Can you explain for people who might be watching our proceedings what you mean by vertical integration?

Derek Halden: Vertical integration would mean that, instead of a customer saying that they wanted to move 20 widgets from A to B at 9 in the morning, the freight supplier would say that it was already taking a trip at 10 in the morning, and if the customer allowed the freight supplier to move the widgets at 10 in the morning, a better price

would be offered. Through collaboration with the purchaser, some degree of integration is achieved in the approach that is taken to the way in which things are bought. That is a very important consideration in conversations with national Government of the kind that the committee is having, because national Government is right at the top of the hierarchy of purchasing and supply.

On the business models, I would look again at the infrastructure business environment. There is lots of talk about whether we should own more land around ports or airports to try to lever some of the benefits. A lot of our work is in the interaction between land use and transport, and one of the things that worries me most is that, because policy often seems quite unstable, the people who make the biggest sums of money are the speculators—the people who think, "Oh, if I can lobby for this particular transport investment, we can make a few billion pounds on this bit of land that we have."

10:15

The more stability that we can have in policy the better. The reason that Princes Street in Edinburgh exists is because somebody bought all the land and achieved the planning in that way because they controlled it through ownership. There are different business models. Some involve ownership but some are just about agreements about what can happen in particular areas. Stability and certainty are needed.

That is probably enough. Like Alan McKinnon, I could go on for ages, but there is a lot in what I have said, so I had better stop.

The Convener: Do not worry, because you will get lots of opportunity.

Dr Maja Piecyk (Heriot-Watt University): I agree with all the points that have been made.

We need to integrate Scottish freight transport systems with the UK ones because they are part of a wider network. To make the whole system efficient, we need a whole-system perspective. Scotland is only part of the system and we need to look across the borders.

Scotland does not have deep-sea container ports so, if we want to maximise the potential for modal shift, we need to ensure that we have efficient links by alternative transport modes to the main deep-sea container ports in the south. That is an important issue as well.

My third point links back to land use planning and freight movement in urban areas. We need to understand the freight flows that are generated by the recent huge growth in online retailing and we need infrastructure to make home deliveries most efficient, whether that is unattended collection points or loading bays for people who deliver

freight to homes. We need to look into that and provide the infrastructure for the most efficient solutions to that problem.

Mike MacKenzie (Highlands and Islands) (SNP): You mentioned that our strategy has to take account of the fact that we do not have a deep-sea container port. I am sure that you are aware that, a few years back, there was a proposal to establish such a port at Hunterston. Would Scotland's freight strategy and our ability to maximise the economic benefits to Scotland benefit greatly if we had a deep-sea container port?

Dr Piecyk: There is no simple answer to that. There is a need for a study that would assess the feasibility of having a deep-sea container port so that it had enough space and enough land around it.

We would also need to consult the main shipping lines, because Scotland is outside the main shipping routes at the moment. The question is whether, if Scotland had a deep-sea container port, the main shipping lines would use it to deliver directly to Scotland or stick to the Rotterdam and south of England ports.

Mike MacKenzie: Is there virtue in having a study to examine the possibility?

Professor McKinnon: I should have mentioned that, back in 2006, there were two active proposals for a deep-sea container port: Hunterston and Scapa Flow. The Local Government and Transport Committee then did not dismiss the idea but it was a bit sceptical, partly for the reason that Maja Piecyk mentioned.

What is the likelihood that a big, deep-sea container shipping line would call at a port in Scotland? Even if it were to do so, given the traffic volumes, it would be infrequent, so many Scottish exporters would probably still want to connect with the more frequent services that they would get through Felixstowe or Southampton.

Scotland will always have that problem in trying to develop direct links, because we just do not generate a huge amount of traffic. Another problem, which Maja Piecyk did not mention, is the traffic imbalance. In all our transport modes, there is a directional imbalance of traffic, which makes it difficult to get direct services into Scotland.

Although it would be great if we could have a deep-sea container port, we have to be realistic and I do not think that it will happen any time soon.

The Convener: Mr Halden—do you have a view on the matter?

Derek Halden: Yes. I remember Alf Baird, Alan McKinnon and I having such discussions in the Scottish transport studies group 25 years ago, so

the issue is not new. Alf Baird has been leading the charge a lot on Scapa Flow and that sort of thing. There are strong arguments about why Scotland should be worse served than Iceland when we have a much higher population. From looking at the demand, could we create an international terminal on the motorways of the sea? Perhaps. That deserves to be looked at, but delivering it would be a tall order.

The Convener: Dr Piecyk said that Scotland has to be integrated in wider transport and freight networks. Are there freight and logistics trends at European and global levels that influence Scotland's freight transport system?

Professor McKinnon: One of the dominant trends in logistics for decades has been the centralisation of inventory. That has happened to a very advanced level in the UK; Scotland gets a lot of its retail products from distribution centres in the midlands of England, for example. We are also beginning to see that process at continental level as companies move away from nationally based systems of distribution to pan-European systems of distribution. Centralisation applies to production and inventory, so big distribution centres are serving wider areas.

In the 2012 study that we did for the Freight Transport Association, we looked at the development of distribution centres in the UK. That study showed that there was a relatively small amount of distribution centre development in Scotland compared with the midlands of England, for example. Therefore, there are heavy flows into Scotland of products from the centralised logistics centres down south. That is also happening at Europe level.

A cause for regret is that the Channel tunnel is not being used for that purpose, because the railways have a comparative advantage in long-distance movement. I think only eight freight trains a day currently go through the Channel tunnel. It is the most amazing piece of infrastructure, but we are underusing it. I would like long-distance rail connections into the more centralised production and warehouse facilities on the European mainland to be used more.

The Convener: Do not worry: we will come on to rail. Does anyone else want to talk about the wider trends that are impacting on Scotland?

Derek Halden: A big resilience issue is coming along, as well as the issues around efficiency and customisation that I mentioned. Perhaps resilience is the theme that I have not touched on; we would see that issue in relation to the last mile. Companies create local drop-off points for parcels; in some areas, there is one house in a street to which all the parcels go; as a result, people get to know their neighbours better. There are resilience

issues to do with where things are dropped off. Local small businesses can drop off their parcels to get better-value shipments. A small artists' materials shop on a high street, for example, can now access the supply chain enormously more easily than it could a few years ago. There is a question about what that leads to in terms of the hierarchy.

I talked about the top-down hierarchy in terms of consolidation sectors, but that is a big and fast-changing area. As we move to more 3D printing, many areas will be involved, such as local manufacturing. Onshoring is one of the big trends that we are observing. Alan McKinnon referred to what we used to do offshore. We would get stuff from a few centres around the world, but that trend is changing. Local manufacturing is much more competitive for certain types of things. We could certainly talk about watching that space and ensuring that there are funding mechanisms to support good things that are happening in it.

The Convener: Dr Piecyk, in the light of what we have just heard from Professor McKinnon and Mr Halden, what do you see as the threats and opportunities that will arise from the wider European and global trends?

Dr Piecyk: One positive trend comes from the pressure to increase energy efficiency in everything that we do, including freight transport. An increasing proportion of freight operators are starting to collaborate; they are looking beyond their own operational boundaries to combine things and to ensure that resources are fully utilised wherever they go.

Instead of sending a truck away full and it coming back empty, companies are now actively looking for something to take back. That is happening across all the different transport modes. Collaboration between companies is a positive development; there is a lot of research about it and a lot of projects are going on in the UK and Europe to seek ways to help companies in that regard. The aim is not just to develop collaboration on full loads, but to find opportunities to consolidate loads, thereby ensuring that trucks are full or that there is enough volume to use alternative transport modes. Overall efficiency in freight transport systems in the UK and elsewhere is increasing, which is a very positive development.

When it comes to threats, the challenge in Scotland involves the imbalance in traffic flows. Because Scotland is not in a central position in Europe—like Germany is, for example—it is more difficult to balance the traffic flow to and from Scotland. The UK level is different, when compared with the traffic between Scotland and the rest of Europe; we import more things from England than we send to England, but we export

more to the rest of the world than we import. The question of balancing out use of vehicles—trucks, trains and vessels—is important.

Mary Fee (West Scotland) (Lab): I want to explore further the infrastructure obstacles to the free flow of road freight. A number of road improvements have already been made, and we are aware that further road improvements need to be made. I am interested in what Derek Halden said about specific freight networks and what Dr Piecyk said about integrated systems. Concerns have been raised about the difference in speeds between Scotland and the rest of the UK. Dr Piecyk also mentioned the imbalance of traffic flow. Can the panel identify any specific infrastructure obstacles that severely impact on the free flow of road freight? What could be done to minimise them?

Derek Halden: When considering the concept of free flow, it is always a case of asking, "Which came first? The chicken or the egg?" There would be no flow at all if we did not have a road. This brings us back to the theme of network coverage and what networks we have. We cannot have every part of every network offering unimpeded free travel: apart from anything else, there would be no money to pay for the infrastructure that we need for that. There need to be costs in the system somewhere—there need to be deterrents in the system somewhere. The question is this: what costs, and what deterrents do we put into the system, and where? Where is Scotland losing out?

For me, there is a big theme of regional development here. I might look at EU policy and suggest that we will work on European projects, as opposed to UK ones. Europe is always saying that the UK is great at doing most things, but it is appalling at regional development. That is something that we know a lot about in Scotland. It is true: regional development is one of the biggest areas of UK policy failure.

When I consider what we currently do, I ask whether, say, a business in the Western Isles can thrive with our current networks—whether the network coverage allows that business to compete. We then get into many detailed issues—for example, resilience at the Rest and Be Thankful, and ferries. We could go into hundreds of issues.

I would not want to give the impression that I had focused on a specific infrastructure issue and was therefore prioritising that over any other issue. However, it is clear that we have not looked at the networks. That goes back to my first point. Back in 1991, we said that we needed to clarify our freight networks. If we did that, we would then say that our target is not to have congestion on those networks. We would ensure that we manage the systems. That is what we do—we constantly

manage demand in the systems to ensure that we achieve the target journey times.

There are all sorts of things that we can do to achieve free flow. We could have a road investigation. Yes, we have the M74 northern extension, but when we were analysing that, we said, "We could close the motorway junctions in the centre of Glasgow and then we'd get free flow on the M8 as it stands." Obviously, that was not desirable and it was not what we did. There are lots of ways in which we can achieve free flow, but they are not always publicly acceptable or what we end up doing. However, the management of free flow is absolutely what we need to be doing.

10:30

Professor McKinnon: Scotland's transport infrastructure—road and rail—is good. If we look around the world, we can see that we are well endowed with good infrastructure. Freight is not much obstructed at present; in the 2006 report, we said that freight journeys in Scotland were delayed by an average of only six minutes. We pulled together various numbers that we could find at the time to come up with that figure, which is a pretty small delay. If we redid that calculation today, we would find that that figure is less, for the reason I mentioned. The M74 extension and the freeing up of traffic flows through Glasgow has made the life of the haulier a lot easier in Scotland.

The main infrastructure constraints on Scotland are outside Scotland, in the connections with airports, destinations and ports down south. Scottish vehicles get snarled up in congestion in the midlands or the south of England, which is where there is more of an infrastructure problem.

One could highlight a few bottlenecks. It is often said that Coatbridge Freightliner terminal, which is an important node for getting Scotland's exports down south, has rather poor access. For many years, we have been hoping that the M8 would be three lanes the whole way between Glasgow and Edinburgh. I am sure that that will happen eventually. However, like Derek Halden, I would not want to give the committee a list of all the necessary infrastructure improvements. Indeed, I do not really have the detailed knowledge to permit that.

When we are looking for ways of facilitating freight movement, it is not necessarily by construction—by expanding the network. These days there are all sorts of clever ways of using the existing network more efficiently and effectively, for example with advanced traffic management systems, which can benefit freight traffic. If we look at what has happened with the ATM systems that are used by the Highways Agency down south, that shows that freight has benefited a lot

from the initiatives, without extra lanes being added or new road links being built, necessarily.

Mary Fee: Perhaps we need to step back and move the focus off freight specifically and look at how we can improve roads in general. It comes back to the point that Mr Halden made about improving free flow. The knock-on effect is that it improves freight.

Professor McKinnon: Exactly: that is very true. HGVs make up only about 6 per cent of the traffic on Scotland's roads and the percentage has dropped since 2006. Of course, trucks are bigger, so we often use a weighting factor and say that a truck is equivalent to about two and half cars. If we apply that, trucks would be 13 or 14 per cent of the traffic in Scotland. I often say that trucks are the victims of traffic congestion rather than the cause of it, which endears me to the road haulage industry.

Mary Fee: That is an interesting way of looking at it.

Dr Piecyk: The only point that I would add is that it is not only about effective traffic management; it is also about the policy measures and things like access restriction, night-time deliveries and encouraging more freight to be moved in off-peak hours. We could look at ways to deliver to retail units at night or outside the main times in order to smooth the level of traffic throughout the day.

Mary Fee: Before I talk in more detail about policy and regulation, I want to ask about the last mile, which was mentioned in a previous answer; in previous evidence we have heard about the importance of the last mile. How important do the witnesses think it is? What could be done to improve the last mile?

Dr Piecyk: The last mile is a growing problem. Because an increasing proportion of the population live in urban areas and online retailing is increasing, the last-mile problem has become quite important.

Failed deliveries are the key challenge. If a company has to attempt to redeliver a number of times, the carbon footprint that is associated with the delivery will be significantly increased. That affects not only business-to-customer deliveries but business-to-business deliveries, including to retail units. There are also the consequences of the changing character of UK high streets. We are increasingly moving away from retail centres, with coffee shops now being the new meeting points. Therefore, the freight flows in urban areas are changing. That generates a need for different solutions.

A number of urban logistics projects on flow solutions are going on in the UK and Europe. One

solution is urban consolidation centres. We have on 17 June an event that has been planned with the3 Tayside and central Scotland transport partnership and Transport Scotland at Heriot-Watt University. We will also have an event looking at urban consolidation centre success stories.

Another potential solution is to use electric vehicles to reduce air pollution and carbon emissions—especially if we can power them using carbonised energy sources.

The common theme among all the potential solutions is that situations must be assessed case by case. There is no single solution that will work for every city and every urban area. A mix of measures will be required to deliver the most effective bundle to different places. A lot of work is going on and there are opportunities out there.

Mary Fee: That is interesting. When we talk about the last mile, I think about that being the last mile to a container depot, a freight hub or a train terminal, rather than the last mile being about urban areas and its importance to such areas.

Professor McKinnon: That is a good point—the term “last mile” is defined variously. In academic circles, we tend to think of the last mile as being the last link in the supply chain to the home, which is being affected by online retailing. However, you are right to say that it can also relate to feeder movements into ports and railways.

Derek Halden: Over the years, I have done quite a bit of work on the area, particularly around town centres. The last two miles account for a huge amount of travel. I have looked at how to optimise that, including by people walking to the shops.

Some of the small failing stores around Scotland, for example wee newsagents, have become local pick-up and drop-off points, which is underpinning the entire viability of high street stores. There is a broader social and economic agenda around how we get it right. Even at the most extreme end, there has been an explosion and dozens of companies around the country are setting up with volunteers getting out and about on their bikes and doing local freight deliveries from those places, including to people who may not be able to get out and walk the last two miles.

There is a lot of good stuff going on there about jobs and regeneration. However, we must look at why some of that does not happen. Dr Piecyk mentioned Tactran. There is a lot to be learned from why its consolidation project did not work.

Dr Piecyk: It did work.

Derek Halden: We need to look at what did and did not work and what the barriers were.

We did work for the British Council of Shopping Centres on consolidation centres and where in London they should go. The industry would say, “There—where our shopping centres are. Those are your consolidation centre points. They have handling facilities. What do we need other than a partnership between our shopping centre industry and Government?” However, that approach did not fit with the procurement practices in Perth and Kinross Council, so we were not able to follow it through.

Consolidation centres may or may not be the right answer. However, we should look what might be acting as barriers. Consolidation centres might be out there around Scotland anyway, or the facilities might be there for them. It is just a case of formally recognising, supporting and endorsing them. There are a couple of different angles on local issues around that.

Mary Fee: Are you saying that we just need to look at how we can handle that last mile or two miles differently, and that there is not one solution to fit everywhere?

Derek Halden: Yes.

Professor McKinnon: I am based largely in Germany, where the main postal service—Deutsche Post—has established 3,000 packstations, which are automated locker banks where people can go and collect online orders. There is now a packstation within 10 minutes of everybody in Germany. That is infrastructure that has been created over the past seven or eight years with the purpose of trying to rationalise last-mile delivery. That part of delivery does not have to be to the home anymore; it can be to a local packstation.

We have not seen a similar development in the United Kingdom, although, picking up on the point that Derek Halden made, in the UK there are now, I think, 25,000 collection points in shops, post offices and community centres. In a sense, we are using our existing infrastructure without having to build a new network of locker banks for online deliveries.

Derek Halden: There are also collection points at railway stations. Transport for London found that something like 25 per cent of all deliveries to the front desk of its office were for staff who were getting things that they had bought online delivered to the office and actually had nothing to do with TFL’s business. It thought, “Well, if this affects the staff of our company—a big employer in London—it must affect everybody else out there.” Therefore it decided to create a network. It had control of its stations, so it created a network around them. What could we be doing, particularly at this point when Abellio is trying to make commitments around our railway stations in

Scotland and having a greater community focus? Can we make our stations more like hubs? There are opportunities here, too.

Professor McKinnon: One thing worries me in this area, incidentally. We hear about the internet of things—how in the future all our appliances will be connected to the internet, which may result in automated replenishment. Your fridge will check when it needs to get additional yoghurt, and there will be an automatic system for ordering fresh supplies. That could be abused if people were to get very frequent deliveries of small quantities, just to top up the products that they had in their home. I think that we have to be very careful that we do not let that get out of hand.

Mary Fee: Finally, are there any obstacles in current policy and regulation that impede the free flow of road freight? What could be done to make the situation better?

Professor McKinnon: We have a very liberal regime in the UK. As we have heard, quantity licensing was removed from trucking in the UK in 1970. It is one of the most liberal systems in the world. Obviously, to an extent, we inherit regulations from the European Commission, but I would be hard pressed to say that there is any regulatory control that obstructs the movement of freight.

I will mention one thing relating to construction and use regulations. I support an increase in the maximum size and weight of trucks, which I think would yield economic and environmental benefits. In the UK, there is a 10-year trial of longer semi-trailers, but other countries, such as the Netherlands, Germany and those in Scandinavia, are trialling longer vehicles—25m-long vehicles that can go up to 50 or 60 tonnes. The railways see that as very threatening, but there is a lot of freight that is never going to go by rail.

I think that we should be trying to do what we can to rationalise the road freight system. It seems to me that some relaxation of the size and weight of trucks would be beneficial. One sector in Scotland that would benefit a lot from that is the timber sector. We could even limit the relaxation to specific routes, which would yield environmental and economic benefits. Remember that the Scottish timber industry is competing with similar industries in Finland and in Sweden, where they can run trucks up to 30 meters and 74 tonnes.

Mary Fee: If specific rules were given, for example, for timber, that would be of benefit.

Professor McKinnon: Exactly.

10:45

Derek Halden: I would like to add to that. I agree with Alan McKinnon that there are no major

regulatory barriers; the barriers that come are largely because some people object. We have been talking about the speed limit on the A9. One reason why we did not put the speed limit up for lorries 20 years ago or whenever is because lots of people objected and said that that would devastate the rail freight market—and perhaps it would. If road freight became more competitive, rail freight would become relatively less competitive. However, that does not need to be a barrier. It just means that one of the consequences of improving the efficiency of the economy is that we need to give more support to other areas. That is a consequence of the decision, but it is not an unmanageable consequence; it is an entirely manageable consequence.

Instead of chasing the lowest common denominator, which we often seem to do—we say, “Oh, we can’t do that because people object”—we can chase something that everyone can agree on. It is about asking what it will take to get support from the rail freight industry—to use my analogy—for increasing the speed limit on the A9. It is not about regulation; it comes back to partnership building. Those partnerships are about tough negotiations and hard cash, not about sitting around tables trying to pretend that all of this is cosy. It is about how much cash it will take to make sure that a disadvantage is mitigated, and it is about who is going to pay for it. Managing that partnership structure is about hard business negotiations.

I alluded to W H Malcolm earlier and then there are DHL and Norbert Dentressangle—all the third-party logistics providers are getting better and better at sorting out more of these issues by ensuring that cross-trading goes on so that they become genuinely cross-modal providers. We need to remember that we have capacity out there. The Government does not have to speak to every individual operator, because people in the industry are increasingly working better together. The situation is far better than it was 20 years ago, when the industry was so fragmented that it was more difficult to do good things.

Professor McKinnon: It would be desirable—certainly in urban areas—to have more product delivered in the evening or during the night. Trucks are a lot quieter now than they used to be, so the environmental objections have gone. The inquiry recommended that change back in 2006 but it has not happened to any great extent in Scotland, as far as I am aware.

Back then, we naively thought that the night restrictions were zonal. However, when we investigated, we discovered that a lot of the restrictions on deliveries in urban areas were site specific. For example, when a supermarket got its

planning permission, the restriction on deliveries was built into that permission. It is more of a bureaucratic process than you might think. We would have to get the night delivery restrictions relaxed site by site. I think that that would be worth doing. The research that has been done down south suggests that doing that has environmental, economic and congestion-related benefits. That is one regulation that could be looked at.

Mary Fee: Okay, thanks.

The Convener: I want to go back to something that you said earlier, Mr Halden. Can you explain, for the benefit of the committee, what an urban consolidation centre is and which parts of Scotland you were thinking of?

Derek Halden: There are not many shops that we can take a 40-tonne juggernaut to the door of. We need the right type of vehicle on the right type of road. We need to ask questions about where white vans and smaller trucks are needed, and how we consolidate loads so that different companies' pallets can all go on a common large vehicle or train from a consolidation centre.

If we were to try to identify, in every city across Scotland, what a network of freight consolidation centres in every city across Scotland would look like, that would be a worthy outcome to the goal in the document that I wrote and which was published 24 years ago. I am sure that many people before me came up with that goal, too. It is something that we have been trying to do but have not achieved.

We need that hierarchy with nodes and links. It is not something that the industry can do by itself. It involves so many issues, including the planning issues and the organisational issues. We need to establish that clarity and perhaps even use public purchasing power to buy some land, although we might find that we could get the land through partnering up and so on.

If we were to identify those nodes, which would preferably be connected to rail, around the country so that we could say, "This is what the consolidation centres look like for Edinburgh, Perth and Dundee"—and so on—we could dramatically reduce the number of large vehicles that go right into the heart of the city centres.

The Convener: Thank you for that clarification.

David Stewart: Are freight grant schemes working?

Professor McKinnon: They have worked well in the past but there is not sufficient uptake any more. I checked it out and I think that £4 million has been allocated to the freight facilities grant for this year but, in recent years the scheme has been underspent.

We could take the view that all the low-hanging fruit has been harvested. The schemes have been in place since the mid-1970s, and since then they have helped to divert a lot of freight on to rail and substantially reduce the number of truck kilometres, so it might just be that there are few opportunities to use them now. The problem is not so much the application process, because it has been facilitated over the years. It might just be that we have exhausted all the obvious opportunities for applying freight grants.

David Stewart: You are right about the freight facilities grant, although it is more than underspent—it has not been spent at all since 2011, which is quite worrying. You made a point about timber. One positive story is that Boyd Brothers (Haulage) in Corpach got nearly £1 million in water-borne freight grant to take timber off the road and put it on to the sea.

Our experience of talking to the port operators suggests that the application process is a tricky, complicated experience. If I remember correctly, the chief executive of Montrose Port Authority said that his was the last port to get a freight facilities grant before 2011, but it employed a consultant to ensure that all the boxes were ticked. It therefore appears that there are some barriers.

Derek Halden: We have been involved in preparing freight facilities grant applications and the process is not unduly onerous. The issue is, as I alluded to earlier, that the criteria are perhaps not broad enough. The environment is not the only market failure in the freight transport industry; there is a range of social and environmental failures, but the scheme looked at one wee bit—emissions—and said that that was the only market failure.

I would focus on regional development as the most obvious point. We need something like a freight investment fund, or a renaming or repackaging of the grants as something more useful.

If I had to observe the situation as a consultant looking in on the machinery, I would say that we kept the freight facilities grant in Scotland because people did not want to lose the money. It is important to recognise that they felt that there was a need for something like it, although they did not think that the scheme as it stood was brilliant. The current rules are really quite restrictive because they apply to specific emissions and specific trips.

David Stewart: From answers to questions that I have lodged, I think that the schemes were more successful for rail than for sea. That is from memory—I do not have the information in front of me—but I think that those answers indicated that there were very few schemes for sea; they were mostly about rail. Is that your experience too?

Derek Halden: Yes.

Professor McKinnon: Yes. The type of freight facilities grant that worked well in the past were grants that went to dedicated installations, such as a factory or a warehouse operated by one company that had a good idea of how much freight would be generated years into the future, so that the stream of benefits could be foreseen.

It is more difficult if a logistics provider applies for a grant for an intermodal facility and is not all that sure about who its future clients will be, or what the volume of business will be. It is harder for someone to meet the requirements of the application if they cannot come up with fairly firm predictions about the use of the facility.

In Scotland, we have had some examples of freight facilities grants that have not provided the expected benefits. For example, in Grangemouth, the largest-ever freight facilities grant did not generate anything like the traffic for rail that was anticipated.

David Stewart: Can you put your finger on why that was the case?

Professor McKinnon: The company changed its strategy. I think that that was when BP operated out of Grangemouth.

There is obviously a certain risk. There is always the possibility that the client will change their logistics strategy or that the ownership of the business will change. I think that I am right in saying that no money has ever been clawed back by the public sector—it takes the risk and the danger is that the money will be misused.

David Stewart: Our inquiry is about freight rather than climate change, although it is clearly a factor. We are all concerned about the fact that we are not meeting our climate change targets. Transport is a big emitter, notwithstanding the point that I made earlier about the increase in the speed limit for HGVs on the A9 to 50mph being beneficial. It makes a lot of sense to the Government to push freight off the road and on to rail or sea, so how can we improve the current schemes?

Derek Halden: A lot of this is about having enough money; it is not about having big sums of money. It is also about the Government's role as an organiser and facilitator to enable good partnerships to happen. Above all, that is what seems to be missing. Around the world, step changes are being made in infrastructure investment to rebuild our cities and create the smart cities of the future. Some really exciting things are happening. I do not know whether those developments will include the automatic restocking of fridges; I do not think that anyone knows that. However, we need to tap into those developments.

Government can share in the revenue streams by carrying some of the non-market risks up front. That links to the question of clawing back money. Clawback should be linked with the whole delivery of the process.

It is a case of thinking about how we use the funds that we have, how we partner and how we facilitate projects and enable them to succeed. That is what the future is about. Above all, there needs to be certainty. It was said about some of the schemes that were included in the national planning framework that there would be certainty about those for 30 years, but some were changed within weeks. That loss of certainty would affect an investor who had committed to a £1 billion land value uplift because they thought that a particular road or railway scheme was going to go ahead. We are short of money in transport because the Government keeps changing its mind about what it is going to do.

A common theme that I keep coming back to is that it is not the amount of cash that is provided that is important, but the certainty that something is going to happen. That is what unlocks the cash.

David Stewart: Recently, we took evidence from the operators of ports such as Grangemouth and Aberdeen. Both in those sessions and on the informal visits that we made, they told us that there are very few constraints on moving freight by sea. In the area that I cover, the Highlands and Islands, there are many constraints on moving goods by rail—there are height restrictions and much of the network is single track. That prevents flexibility. Although there are some constraints on moving freight by sea, they are not at the same level. Do you agree that that is generally the case?

Derek Halden: Absolutely. Those are expensive constraints to overcome. We need big volume increases on the railway networks to make sure that they are properly justified. Even the west coast main line is not free of constraints. There is stuff that is even more obvious than the constraints that you identified. We definitely need to resolve some of the rail gauge issues.

David Stewart: Do Professor McKinnon or Dr Piecyk want to comment?

Professor McKinnon: You mentioned climate change and the need to decarbonise freight transport. We must look at the relative cost effectiveness of all the ways in which we can do that through public intervention. The focus has been on grants to support modal shift, but that is only one of a whole panoply of measures that could be taken to decarbonise freight transport in Scotland.

One of my big disappointments was with the abandonment, at Westminster and in Scotland, of the freight best practice programme. It was

designed to advise companies on how they could operate their vehicles in a more energy-efficient way. The UK pioneered that work in the 1990s. It was the first country in the world to have green freight initiatives. We abandoned ours, but they are now proliferating around the world. For example, there is the SmartWay programme in the States, the green freight Europe programme in the rest of Europe, and the green freight China and green freight India programmes. I think that the time has come to look again at the cost effectiveness of such programmes, which provide advice and guidance to companies. They also provide driver training, and training drivers to drive trucks in a more fuel-efficient way is about the cheapest way of cutting CO₂ emissions in the freight sector.

I am not against freight grants—they are to be encouraged—but grants are only one policy instrument, and there are many others that must be considered.

11:00

David Stewart: You have, not for the first time, predicted my next question, which is about best practice around the world. Could you give the committee clerks some information—unless you have already provided it—about that best practice? I was not particularly aware of it and I am sure that other committee members would also find it very useful.

Professor McKinnon: Certainly.

David Stewart: Do any other witnesses have examples of best practice around the world that go beyond the basic freight facility grant?

Derek Halden: There should be real encouragement for the benchmarking clubs. For example, the logmark club, which is run by the Chartered Institute of Logistics and Transport, helps companies to ask, “Why are we using 20 per cent more fuel than another company on similar operations?” Constantly benchmarking performance creates competition in the market, which helps everyone do better. I would add that type of thing to the examples that Alan McKinnon has spoken about.

Dr Piecyk: I have two comments. First, CILT and the Freight Transport Association are quite active in that regard. The FTA has a logistics carbon reduction scheme, which involves a group of companies that are interested in reducing emissions from logistics activities. It also has annual awards for the most fuel-efficient operators, with a number of categories such as excellence in modal shift and, foremost, fuel-efficient operation. The association benchmarks its members and hands out the awards every year to encourage positive developments in the sector.

Secondly, to go back to freight grant schemes, modal shift is clearly an important issue and we want to encourage more movement of freight by more sustainable modes such as water or rail. However, road transport remains the key transport mode in the UK, and that is unlikely to change in the future. We need to look at ways to decarbonise the movement of freight by road.

As part of our work at Heriot-Watt, we were commissioned by the Committee on Climate Change to produce a report on ways to decarbonise road freight transport in the UK. We are looking at the period of the fifth carbon budget, which runs from 2027 to 2035. The report should be out in a month or so, and it will give the committee an indication of the most cost-efficient ways to decarbonise road freight transport.

David Stewart: I am sure that the committee will be very interested to see that study.

Mary Fee: Following on from my earlier questions about the free flow of road freight, I will ask the panel about the free flow of rail freight. We have heard in previous evidence sessions about problems with loading gauge restrictions, passing loops that are not long enough and a lack of double tracking. What specific infrastructure obstacles prevent the free flow of rail freight? I am thinking also about the linking of rail freight to road and sea. What can be done to overcome those obstacles?

Derek Halden: I will kick off on that, although I cannot give the detailed evidence about individual projects that the committee will have had from others such as the Rail Freight Group.

I would apply a test. For example, let us imagine that we do not have the right gauge on the line to Inverness, and that the railway line is about to close because, as some economists have argued, we should not have rail services north of Perth and Dundee, as they will all be loss making. If that sounds fantastical and you are saying, “Oh, we would never do that,” now is the time to act. What you do not want to do is leave a political mop-up that costs hundreds of millions of pounds as a result of not focusing on something that can be prevented with a few million pounds now. That is the way I would look at it.

We need clear planned decisions about what sort of rail network coverage we want in Scotland. If, as a country, we want railway lines to Kyle of Lochalsh and Wick, we need to work out how to make the best use of that resource and how to add value to it to ensure that such an expensive resource is as well used as possible. That is what the team at HITRANS—the Highlands and Islands transport partnership—has been trying to do as far as possible. There is a lot of work going on there, but we need those clear decisions.

That brings us back to the point about networks. We need to define what sort of network coverage we need as a country, and what it looks like: where the hubs are and what types of networks there are. Will there be motorways—the blue-line roads—or dual carriageways? What will the character of the network be? We need clarity. At present, there has to be a political intervention to say which cities we have dual carriageways from. That is dreadful—the decisions should be coming through a normal transport planning process that asks what our networks should look like.

There are some very important gaps in Scottish transport that we do not know how to approach. We have not even made up our minds about where we want blue lines. We do not even have a blue line between Glasgow and Edinburgh. Alan McKinnon mentioned the possibility of three lanes. If I was from Hong Kong or North America, I would say, “What is this tinpot country? They haven’t even got a motorway between their two major cities.”

We need to look at that sort of thing. People might not want to use the rail network immediately, but we need to think about the value to the country of having that option there. We need to define the network and ensure that we invest in it. That brings us to the detail of schemes—do we spend money on any individual project? We should look at all the stuff that is out there, and the views that have been put forward by the Rail Freight Group and others. We can start to prioritise and say, “This is how we develop our network in a planned, organised way.” Everything is far too fragmented at the minute.

Mary Fee: Would it be better for us to decide what we want and work back the way, rather than doing little bits to get us to somewhere that we have not defined?

Derek Halden: Absolutely—that is a really good way of putting it. The Government produced a brilliant policy document called “Travel Choices for Scotland” back in 2000 or so. The very first line said things like, “In the future, our transport policy will be about what sort of Scotland we want, not patching piecemeal stuff around the networks.” That is where I am coming from. We need to get back to that sort of strategic focus and make decisions about what the country needs.

Mary Fee: Does Professor McKinnon want to come in?

Professor McKinnon: I do not have a sufficiently detailed knowledge of the Scottish rail network to pinpoint areas where the loading gauge could be increased or the passing loops extended. However, I suggest that we need to take a step back and ask what is constraining greater use of the rail network in Scotland by freight.

Infrastructure is part of the problem, but it is not the only cause. The gauge enhancement of the line from Dundee to Aberdeen and to Elgin was quite expensive but, as far as I am aware, little use has been made of the line. We should perhaps be a bit more entrepreneurial to improve service quality and provide a more competitive service. Merely releasing an infrastructure blockage is often not enough; we have to look at how the railways are going to exploit that.

Mary Fee: I suppose that that goes back to Mr Halden’s point about partnership negotiations. It is not just about different freight organisers or companies talking to each other but about Government talking to freight companies and saying, “If we do this, will you use it, and if you’re not going to use it, why not?”

Derek Halden: Yes—the risk sharing in all these agreements is critical. That is one reason why I am often quite critical of grant schemes. We often give the grants to the worst performer, whereas the way markets work generally is that the best performer does best. Often, Government acts in anticompetitive ways through grant schemes to support the worst performers, which undermines the successful businesses and helps the unsuccessful ones to do better. That is not always a good strategy.

The Convener: Alex Johnstone will be sorry that he did not hear that. He is in favour of markets.

Mary Fee: Dr Piecyk, do you have anything to add?

Dr Piecyk: No—I fully agree with Alan McKinnon. We need to understand why the railway network is not being used to the extent that it should be and work from there. Taking the views of rail freight providers and potential rail freight users is an important part of the process.

Mary Fee: Do we have enough terminals and hubs? Do we need to build more terminals? Is what we have sufficient?

Professor McKinnon: Taking a UK perspective, it is often said that there is a lack of rail freight terminals. That is not so much the case in Scotland; the issue is worse down south—for example, there is a lack of such terminals in the London area. That is constraining the long-haul movement of freight by rail from Scotland down south. I know that studies have been done on this and on the issue of dry ports, and I know that your committee adviser has done work on this area. However, personally, I think that we probably have enough terminal capacity. Earlier, I mentioned the importance of the Freightliner terminal in Coatbridge, where local access is an issue, but, overall, I cannot see the need for a big new terminal anywhere.

Mary Fee: From a policy and regulation point of view, is there anything else that Government could or should be doing, or does it come back to the points that were previously made about having that strategic vision and working closely with partners?

Derek Halden: To pick up on the point that was made about markets, I would say that markets are often misunderstood. They are actually very simple, and the rules under which they operate are those that are defined by Government.

If you do not like what you see in the markets, that is a function of the regulatory rules that you have created as they are what defines what that market is. There has been a focus on environmental directions, but I would love to see some of the markets incentivised in social directions. That can be done through regulation by doing some of the things that I have hinted at, such as changing the freight facilities grant into freight investment funds, seeking partnership approaches and working together to address the wider social and economic issues. The debate is often characterised as a war between environmental issues and economic issues, and the social dimension is often missing from what we are doing. However, when we unlock it, we see all these great things that I have been talking about, such as hundreds of extra businesses in the towns. Those are the things that excite me in this agenda. How do we unlock that potential? The question of regulation is important, but it is also about how funds are managed, how partnerships are built and what regulatory framework they operate within.

For example, I always argued that the regional transport partnerships ceased to be partnerships the minute they were made statutory. You can see that if you look back to my response to the consultation on that 15 years ago—that was my argument then, speaking as someone who was involved in setting up the south-east Scotland transport partnership. I said that they cease to function as partnerships if they are statutory. Each partnership has to have a project-based delivery focus, and partnerships are critical. However, the minute you try to create a new organisation, it ceases to be a partnership.

We should perhaps look at all the good stuff that the regional transport partnerships are doing and ask what the partnership would look like if we regulated it slightly differently. I am not saying that I have all the solutions; I am just saying that there is perhaps some space in which we could think about how we create those partnerships.

Mary Fee: Are you saying that we should review what is being done and how we view what we could potentially do, rather than actually changing anything?

Derek Halden: Yes. I would start by taking stock of what we are doing well and trying to do more of that.

Professor McKinnon: I want to return to a point that I made earlier about taking a European perspective. In its 2011 white paper, the European Commission came up with an ambitious target of getting 30 per cent of freight that is being moved more than 300km on to the rail or waterway network by 2030. That would fundamentally re-engineer the modal split across Europe. It has established nine corridors and is focusing its attention on shifting freight to rail along those corridors.

Unfortunately, Scotland does not connect into any of those nine corridors. The railways have a comparative advantage in long-haul movement, and I find it remarkable that, even though we have had the Channel tunnel for more than 20 years, very little freight from Scotland goes into mainland Europe by rail. We simply have to return to that issue. I was on a committee that was set up in 1988, before the Channel tunnel opened, to consider the ways in which Scotland could maximise the benefit that it derived from the Channel tunnel in passenger and freight transport. However, none of the projections for freight that we made back then has come to pass. At some point we will have to use that bit of infrastructure more effectively and send more of Scotland's exports to Europe by rail, through the Channel tunnel.

11:15

Mary Fee: So that is something that we should revisit.

Professor McKinnon: I think so.

Dr Piecyk: There will be opportunities in the trans-European transport network. It is important to ensure that Scotland is well connected to the corridors in that network.

The Convener: What is the reason for the lack of uptake of the Channel tunnel, Professor McKinnon?

Professor McKinnon: It is because of a number of things. Many people perceive it as a passenger rail network, but there is still excess capacity that could be used for freight.

The Convener: Is it more expensive? You made the point earlier that we have not seen modal shift from road to rail. Does the same reason apply to the Channel tunnel?

Professor McKinnon: Cost was an issue. Illegal immigrants were a problem—in fact, they still are. There are very tight security restrictions

on freight trains moving through the Channel tunnel, which is a problem.

Procter & Gamble recently started running a train. It was difficult to negotiate that with the rail authorities, but the service now works, with a dedicated train running from Lille to London. If a company makes a serious effort, it can overcome the various barriers and can achieve such a service.

Picking up on a point that Derek Halden made earlier, I think that the railways seem to be very risk averse. They are very hesitant about launching new services, unless they are guaranteed regular flows over a long time period. They could be a bit more entrepreneurial.

The situation may now change because, I understand, the ownership of Eurotunnel—I am sorry, I think that it is Eurostar—will be entirely with France. I think that Britain has sold its share. I think that that applies to the Eurostar service, rather than to the tunnel itself, so perhaps it is a red herring.

The Convener: Mike MacKenzie has some questions on ports.

Mike MacKenzie: I had intended to ask three questions but, with your indulgence, convener, I will consolidate them into one, particularly as some areas have already been discussed.

I am interested in ferries. What might be done to encourage some of the freight off the road and on to cargo ships or ferries? We only have one cargo ferry operating a direct route to Europe. What could we do to make cargo destined for Europe go directly from Scotland, rather than going down to England? Are there any policy or regulatory obstacles to the free flow of sea freight in Scotland?

Derek Halden: I look back to the work that was done to get the Rosyth to Zeebrugge ferry off. We were working on Scottish Enterprise's transport strategy at the time. It was viewed as important for Scotland's economy. We had always had a ferry link from there.

I look back to how the rules were viewed in as tactical way as possible and to the creation of the freight facilities grant, and I reflect on that in the context of what I have been saying about partnership. What if we could provide certainty that, 20 years ahead, the Government would be a stakeholder in both the risks and the reward? That would mean earning money for the Government, as would be fairly standard practice in many parts of Europe, with Government ownership of ports and stakes in that sort of thing. We could give the industry the certainty that there would be a link in five years' time.

Otherwise, there could be another crisis every five years and uncertainty about whether a route might be lost. Uncertainty is the thing that a haulage company wants least. It might, under those circumstances, just decide to stick with road or go with rail, which will be there in 20 years' time. Will the ferry be there? Should a company plan its operations around that?

That uncertainty is the fatal flaw. Governments are always going to be there and, if a ferry service were Government backed, it would be like having a Government-backed bond. The Government would be a stakeholder in the operation of that ferry service, as a partner that shares in the risks and rewards. I would see that type of partnership as much more progressive than just saying, "Here's your £5 million—go away and do what you can." That is the shift and it follows the same theme. It is about saying, "Realistically, there will always be a freight link between Rosyth and Zeebrugge." If we give the industry that confidence, it will really help.

Professor McKinnon: The issue is not just the Rosyth ferry; it is also the connection to the deep-sea container services from Grangemouth to Europe. We have more than enough port capacity to meet demand for the foreseeable future. Grangemouth reckons that it could handle up to 400,000 containers, which we are well short of at the moment.

Around the world, port capacity is tending to move out of river locations to coastal locations, with non-tidal access. For many years I thought that it might be sensible for Scotland to develop a new port on the coast, but then I moved to Hamburg; Hamburg is Europe's second port and is six hours' steaming time up a river. The reason why it is Europe's second port is that it is well connected to inland infrastructure. We could say exactly the same of Grangemouth. We have the problem of the steaming time up the river and the dredging costs and so on but, on the other hand, Grangemouth is so central and so well connected to the road and rail networks that it makes sense to retain it as our main container port.

On the Rosyth ferry, it goes back to what I said at the start, which is that the international flows from Scotland are quite thin. If our economy were to expand greatly and we had forms of manufacturing that generated lots of freight, all the services would become more viable. However, for the foreseeable future, given the volumes of traffic that we have, that will not be the case.

Hauliers and manufacturers in Scotland have a choice: they can use the direct service or, if they feel that it is more competitive, they can go down to Teesport or Felixstowe. It is right that companies have that choice and the Scottish Government has done the right thing in providing a

subsidy to maintain that direct link, but if at the end of the day it fails, our exporters will still find alternative routes to market through ports in England.

Dr Piecyk: There may also be an issue in the policies of the big ports. Sometimes they prioritise a railway connection to the hinterland, as opposed to feeder services, because having bigger ships generates more revenue than having smaller ones. We need to understand the entire system to see what the problems are and how to mitigate them.

Mike MacKenzie: That last point seems to be important. I am concerned about the issue because when the committee visited Grangemouth recently we learned of the plans to dredge the port fairly soon to increase the depth—the port has been forced to do that because of a trend for bigger shipping. I wonder about the wisdom of the incremental approach. What if we reach the physical limitations and the port cannot be reasonably dredged any deeper? How long will this trend of bigger ships continue? At some point, we will need to decide to take a fresh approach. If there are physical limitations at Grangemouth, should we move somewhere else, where we could have a genuinely deep-water port? Would that open up other possibilities? I would be interested to hear your thoughts on that.

Professor McKinnon: I used to be the chairman of the Scottish Transport Studies Group, and 25 years ago, we produced a discussion paper on that very subject that looked at the possibility of a coastal port at Dunbar, or possibly Cockenzie. That is a very expensive option: it is not just the port that we would have to construct, but all the related infrastructure, such as the road and rail links.

As for dredging, the world's biggest container ship—at 19,000 20-foot equivalent unit—recently went all the way up to Hamburg, so the German Government can happily dredge the Elbe. The ships that we are talking about are smaller transshipment vessels. I would have thought that we could sustain Grangemouth for the foreseeable future. If deep-sea vessels were ever to come back to Scotland directly, your point would be valid, but so long as our services are transshipment services, with smaller vessels linking to Rotterdam and Zeebrugge or Felixstowe, we should just continue to dredge the Forth.

Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP): I want to follow up the port questions. We have had some evidence from Professor Alf Baird, who suggested that Scotland's port infrastructure has not been well developed and that there has been a lack of investment in ports. He points the finger at the "unconventional ownership regime" in Scotland's ports. They seem

to operate very much in their own interests, and it could be argued that they are almost monopolist in their approach.

Should the Scottish Government be trying to create more of a driver of economic growth through our ports? Is that something that the committee should focus on?

Professor McKinnon: The study that I mentioned was done 25 years ago was actually done by Alf Baird, who has been critical of Forth Ports, particularly in relation to underinvestment in Grangemouth, over many years. He was advocating for a new port, presumably with a new port operator, to create a bit of competition in the Forth. I have some sympathy with his arguments. Forth Ports has monopoly control of the Forth estuary. I do not know enough about the ports sector to say how we could alter that situation and whether we could change the ownership structure—I am out of my depth on that one.

Adam Ingram: Mr Halden mentioned the lack of entrepreneurial activity by the rail companies. Can we put the same charge to the port authorities?

Derek Halden: Scotland is a relatively small country but we can be the best in the world at some things. When we looked at the issue 25 years ago, we knew that the economics of the maritime sector were changing and that there was a move to bigger and bigger boats. At the time, we asked whether there was a real opportunity to go out and make Scotland one of the hubs.

I am not sure that that agenda has evolved quite in the way that was envisaged. I am not an expert; you need to speak to Alf Baird about this. He would argue very strongly that the boats are getting bigger and bigger and that we will need something to cope with that. I am aware that lots of world cities—although not particularly Hamburg—are looking at the port infrastructure and saying, "Help. What do we do?" The global maritime industry is changing very quickly, and a lot of important hubs in many countries around the world are saying that they cannot continue to operate and that their port will have to be somewhere else.

We talked about consolidation. Could there be space for somewhere such as Scapa Flow to be a port? Perhaps, but we have to be sure that we can genuinely get a competitive advantage and be the world centre for it. All the stuff that I am looking at is about using very reasoned judgment and saying, "Let us not be second best or third best. We can be the best in the world at whisky; that is great. What else can we be the best in the world at?" That will require us to ensure that we have all aspects of logistics and transport sorted to ensure that it absolutely happens and that we can build an economy around whatever it is that we want to do.

The point about what kind of economy we would be building at Scapa Flow makes it hard to see how all the cross-subsidies work between different sectors of the economy. However, they might be there, and there might be things that can happen.

11:30

Adam Ingram: Do you agree that we should be looking at having a Scottish maritime policy? We do not have one at the moment.

Derek Halden: There is a lack of clarity about what we want to do. To return to what I was saying about travel choices for Scotland, the lack of clarity about what type of Scotland we want is the number 1 thing that is holding back Scottish transport.

Adam Ingram: I will change the topic to efficiency and carbon emissions. We have had a fairly extensive discussion about the programmes that witnesses have advocated to reduce the carbon footprint. Can we use new technologies in relation to vehicles, transport information or logistics to make transport operations more efficient, less costly and more sustainable?

Dr Piecyk: Technology is only one part of the solution. There is no single technological solution—we need a range of measures. For example, in the rail freight transport sector, some of the technologies will be fitted on to new vehicles as standard, and others will be retrofitted by operators if there is a clear economic case for doing so.

The big savings will come through how we operate our freight and logistics systems. A vehicle can be made more efficient. For example, training the driver will probably improve fuel efficiency by 10 per cent. However, if the vehicle is full only one way and returns empty, that will not drive down overall emissions. The savings will come if the vehicle is fully loaded both ways, because four separate movements will be replaced with two movements, with one truck instead of two trucks being sent.

We must look at the whole package. We need to look at new technologies in terms of a new mix of fuels, alternative power sources for vehicles, improved information technology systems that support the freight systems and improved urban dynamics.

An important part of the solution will involve our looking at how we operate logistics, how we make the process better, how we encourage companies to collaborate with one another and how we can facilitate the process of making loads visible, so that it is easier to find goods to take on the way back.

If you are looking for an estimate on how all that will add up to a total carbon saving, a report on that is coming out in around a month or so.

Adam Ingram: I hope that we will be able to feed that into our report.

Professor McKinnon: I will elaborate on Dr Piecyk's points. In our work on the decarbonisation of logistics, we said that there are basically five things that can be done. The first is to restructure the supply chain at the strategic level to reduce the demand for transport. The level below that is modal shift. As we have discussed, that shift is about getting more freight on to low-carbon modes.

The next is more effective use of vehicle capacity. On that point, incidentally, we do not have statistics for Scotland on the utilisation of trucks. We have the data on the load factors, the vehicles and the amount of empty running for the UK as a whole, but it would be quite useful to have those figures for Scotland.

The next level down is how the vehicle is driven. There is a big fuel efficiency win at that level. There is a lot of research to show that if drivers are trained to drive the vehicles more fuel efficiently and their driving behaviour is monitored using telematics, that can save five, 10 or 12 per cent on fuel and CO₂.

The final level is the switch to alternative fuels. We have not discussed the provision of infrastructure for gas-powered vehicles, to encourage a shift to gas. Of all the biofuels, the one that comes out clearly as yielding big greenhouse gas savings is biomethane. However, we do not have much infrastructure in place to deliver that.

Al Gore once said that, in dealing with climate change, we are looking not for a silver bullet but for silver buckshot. That is true, because we could apply a whole spread of things to decarbonise freight transport.

Derek Halden: I agree with all points that have been made about collaboration. The key point is that although technology enables people to do good things, it will not fix any problems itself. However, in our towns technology can help good things to happen immediately, through the local delivery stuff and how people behave and react. There are huge benefits if deliveries go to just a few local points. That is where I would focus the technology.

If we are to do things such as dual the A9 now, we do not want to miss out on ensuring that that is set up to be an intelligent highway. Alan McKinnon referred to intelligent highways in Germany and Canada. All over the world, people are doing trials of the technological infrastructure that will enable

speed to be managed in the most efficient way and allow for lorry trains and whatever. All that is coming, although we are not quite there yet.

As a consultant, I worked towards getting as much as possible of the A9 built as dual carriageway—that was at a time when roads in the rest of Europe were being built as dual carriageways. It would have only cost an extra 15 or 20 per cent to build the A9 as dual carriageway in the first place. The decision to build it as single carriageway was incredibly short sighted and was taken only because someone was reading a London-based highways capacity manual that said that a road should be built as a single carriageway if the flow was 10,000 vehicles. That might work in Surrey, but it was never sensible in Scotland. My view is that the Government showed crass incompetence in building the A9 as single carriageway. If we are rebuilding it now as dual carriageway, for goodness' sake let us not miss out on the next generation of technology.

Alex Johnstone (North East Scotland) (Con): Build it and they will come.

Derek Halden: One of the reasons why the French have so much money for transport infrastructure is that they toll the long-distance roads. Every country has things that are acceptable to it, and we need to work out what is right for Scotland. We need to get the revenue streams right for Scotland and we must invest in the right things. If we are going to spend billions, let us ensure that we do not miss out on technology and that roads are built as intelligent highways now, or at least have the capability to become intelligent highways.

David Stewart: I cannot resist the opportunity to come in on A9 dualling. Should we not also have some sort of statutory duty on laying fibre-optic cable for broadband, and even include mains gas, when we develop our roads? The convener of Highland Council said on Wednesday that an advantage of putting fibre-optic cable in when we dual the A9 is that we would not have the problem of clearing snow off cables that we have now. That comment is slightly tongue in cheek, but it makes a little bit of sense.

Derek Halden: An office in which I worked had a mantra that you should always put down a few extra underground ducts. You might not know what you will use them for, but you will use them. It costs nothing to add them to the road and they build in enormous flexibility for the future, so you should just do it.

Professor McKinnon: We can look a few generations into the future. Germany is experimenting with electrified highways. Near Berlin, there is a 2km test track where trolley trucks have been developed that can run on

overhead electricity, diesel fuel or whatever. The trial has been very successful, so further trials are being planned on some of the autobahns.

There would be no point in our doing that for climate change purposes at the moment, given the mix of electricity that we currently have, but if Scotland fully exploits its renewable energy technology and we decarbonise electricity, there may be a time when it is sensible to electrify at least one lane on some of our more heavy traffic roads. You might think that that is science fiction, but it may come.

Derek Halden: That was what I was alluding to; the Canadians are doing it as well. We need to look at that type of thing. We are building roads now and thinking that they might be finished by 2020 or 2030. By 2030 we will be looking at very different technologies, so it would just look silly if we built a dual carriageway and did not put this stuff in.

James Dornan (Glasgow Cathcart) (SNP): We have just talked about Government decisions from a long time ago; I will talk about Government support now.

What do you see as the Scottish Government's role in helping with the interconnectivity of freight transport? Given the financial strictures that are in place, what are the priorities for infrastructure?

Professor McKinnon: We have identified a few bottlenecks, if you like, in the network already—at Coatbridge, along the M8 and, perhaps, in relation to dualling the A9. However, I often feel that the main impact that public policy makers can have on transport is not so much on the physical infrastructure and more on facilitating best-practice programmes because, potentially, they are where the big benefits are.

We have spoken a lot about collaboration. I was involved in an EU-funded project called CO3—collaborative concepts for co-modality—which has worked with a number of big companies in Europe and encouraged them to share their vehicle capacity and warehouses. The companies participate for economic reasons, but the approach yields substantial environmental benefits—it reduces the amount of traffic. Such projects can have more impact.

I have been very complimentary about Scottish infrastructure, and in a country that already has good infrastructure any improvements are likely to be fairly marginal. There would be a case for a more ambitious programme of infrastructural development if traffic volumes were rising steeply but that is not happening. Certainly, the freight volumes have pretty well stabilised, and even car mobility is not increasing much. Therefore, there is a question mark about how much additional infrastructure capacity we require. I would like

public policy makers to shift away from the hardware—the physical infrastructure—towards the software and IT-related stuff and encouraging changes in business practice.

James Dornan: Are you suggesting that it is more about co-ordination and collaboration than about building infrastructure?

Professor McKinnon: Yes, exactly. It is about breaking down the silo structure that exists in transport and getting the modes to work together more effectively.

I think that we discussed this back in 2006, but we could also consider the portfolio of freight transport services that Scotland requires to be a prosperous country. That goes beyond modes because, within any transport mode, there is a range of services. We have to ensure that we have a healthy, competitive market for all those different services within the transport modes as well. There is a role for the Scottish Government in trying to ensure that that happens.

Derek Halden: That brings us back to the point about hubs. If we have hubs, it is easy to see how, anywhere in the country, we can plug into the railway network or how the road network comes together.

I will comment on multimodal thinking. In the inquiry documents, there are some questions about sustainable modes. Any mode can be the most sustainable one. We should not say that rail is sustainable and road is not, or that walking is sustainable. Walking is simply not a sustainable way to move heavy loads to China. We have to consider which is the most sustainable mode for each thing.

That comes back to the first point that I made: it is about the hierarchy of nodes and hubs. We need to make sure that we plan that effectively, and everybody seems to agree that we have not done that. Thirty years ago, we said that we should do it, and everybody still seems to agree. If nothing else comes out of the inquiry, I hope that we will start to create some clarity on that.

We do a lot of what we call accessibility planning in passenger transport. We start at the house and ask, “If I want to buy a fridge, how do I access that? Where do I go?” or, “If I want to get to hospital, how do I access that?” It is just an audit; it is a reality check on what life feels like for the consumer, resident or business and whether they can succeed. It is really enlightening because, when we look at it, we realise that they cannot succeed and that is why they are complaining about it.

To answer the question in the simplest way, I imagine that you politicians are feeling the heat because when businesses stand back from the

user focus of the system and ask whether they can actually use the rail system, the answer is no. The approach helps to define in a totally non-modal transport way what you need to do to allow people to access their markets, suppliers or whatever.

11:45

Dr Piecyk: The key to a good infrastructure system is understanding freight flows. You need to know where stuff is coming from, where it is going to and why it is going there. Once you have that clarity about Scottish freight flows, you can start to plan your vision and system, and you will know which gaps the Government should direct support towards.

There have been a few studies in the past. I think that Jason Monios wrote part 1 of a study that mapped the Scottish freight flows of various commodities and foodstuffs. However, we need wider understanding of the commodities that are being moved. We know that whisky is one of Scotland's main exports, but what about other things? What are the movements of products and why are they moving when they move? That is one part of the problem.

The second important issue is the interaction between freight and passenger movements. Infrastructure should not be built or improved only for freight. Most of the infrastructure is shared by passengers and freight. We need to understand the connections and interactions to be able to develop a sustainable infrastructure system for Scotland.

James Dornan: Thanks very much.

I have a final question. There has been talk about an updated freight policy for Scotland. Apart from what you have just said, do you have any suggestions about what should be in that? How could the new policy assist the sector?

Professor McKinnon: I would add the word “resilience”. In academic and business circles, there is a lot of discussion these days about supply chain resilience, doing risk audits and reconfiguring supply chains. The issue also relates very much to infrastructure. I would have thought that a lot of future investment in Scotland's infrastructure will be to do with climate proofing. Maybe we could try to improve the resilience of rail services through alternative routes so that, if a particular line is blocked for a reason, at least we would have some redundancy in the system to divert freight trains in other directions. In any policy, resilience ought to be up there as one of the key objectives.

Alex Johnstone: Does the planning system operate effectively to support freight transport in

Scotland? By the planning system, I mean everything from individual decisions through to the national planning framework.

Derek Halden: I have certainly done a lot of work on land use and transport integration. The planning system is really on catch-up: it got stuck for far too long. While we move towards national planning frameworks, there is a lot of legacy development—stuff has already inherited planning permission—and there are issues about things possibly not being done in the way that we would do them nowadays, which all mean that the planning system is not working effectively for us.

Earlier, I alluded to the fact that things were said in the national planning framework that were changed within weeks. That is not certainty for 20 years. On the passenger transport side, I often highlight that the Copenhagen metro was built as a pension investment. We would not get pension companies in Scotland investing in our transport infrastructure, because transport policy is not stable enough. People want to know that they will get their money back, and the planning system has to provide that certainty. If somebody says, “Right—we’re going to spend X billions on this land round this freight hub,” they have to know that people will not simply change their minds and decide that the freight hub will be somewhere else.

There is plenty money out there, but people want to know that an investment is safe. At the moment, the single common economic growth theme around the world is that everybody is looking at an uncertain world economy. Any certainty that we can give to people through a planning system that something will happen and about where the commitment is will attract the money. It is almost that development needs less Government funding; what Government can do is to provide the certainty.

That is where the planning system comes in—the way we structure it has to give genuine certainty. How do we get from here to there? We have a planning system that is now so damaged that there is an expectation that, even though something has been given planning permission and is in the national planning framework, something different might be done. That is a huge issue for transport planning because it means that, if I wanted to fund a transport scheme, I would probably do better to join the local chamber of commerce and get it to lobby for the scheme as a great investment that is important for the Scottish economy, so that it becomes politically impossible for politicians not to put public money into it.

Alex Johnstone: You know how the system works, don’t you?

Derek Halden: I am just observing the reality of where we are now. You are asking whether the

planning system can work for us. What I am saying is, “Absolutely, but it is not going to happen overnight.” We have a planning system with hundreds of inherited commitments—developments that have been given planning permission for housing. If we change any of that, planning authorities will be hit with compensation claims.

It takes 20 years to rebuild a new type of planning system. The stuff that I see going on with planning reform is all heading in the right direction—it is all good stuff—but we need to look at other ways. How do we complement the planning system with the business wraparound and the new business models? How do we partner effectively? We could do stuff in that way faster than by trying to use the planning system to unlock a lot of what we need to do.

Professor McKinnon: A general feeling that I have had over the years is that a lot of planners still think in terms of freight transport being an isolated activity, whereas companies these days think of logistics, in which the transport is integrated into the handling process, along with inventory management, warehousing and so forth. I would make a general exhortation to planners to adopt the logistical perspective that companies take.

That is particularly important in urban areas. As we have discussed previously, there are a lot of city logistics innovations, but some are being obstructed by planning restrictions. We mentioned night-time delivery earlier. Sometimes we are unable to deliver to a shop in a city centre because the planning approval for the shop restricted the number of hours in the day when delivery is possible.

We mentioned urban consolidation centres. There is a spectrum of things that we can now do to rationalise freight movement in urban areas, for example by deploying city logistics measures. We have to ensure that the planning system can accommodate those measures. I think that the committee is going to the Netherlands to see the Binnenstadservice. That is a very interesting system, but it would be worth looking at the planning implications because the use of property in the city centre has had to be changed to make it into a consolidation centre. In a few cities, people ran into some difficulty in converting the land use. That is something the committee might want to consider.

Dr Piecyk: The integration of freight decisions and land-use planning decisions is key, especially when planning new developments. For example, if you build a new residential area, you need to think about how residents will receive deliveries. Online shopping is on the increase, so the development will probably generate not only a lot of passenger

traffic but vans and small trucks delivering to the area.

Also, certain types of high street will have freight flows associated with them. We need to look at freight as a part of other activities, and not as a stand-alone activity.

Alex Johnstone: On a slightly different subject, I noticed that in an earlier answer, Professor McKinnon, you mentioned a set of statistics—I think that it was for road transport—that is available for the rest of the UK but not for Scotland. How good are we in Scotland at assembling the statistics? Do we have enough information to be able to assess whether policy interventions work?

Professor McKinnon: That is a very good question. For us as academics, data is our raw material, so we are very sensitive to the issue. Incidentally, I have just written a report for the Organisation for Economic Co-operation and Development on the freight data that are required around the world to develop freight policy. I will happily provide that to the committee.

The “Scottish Transport Statistics” compendium of data that is published every year is excellent. I compliment the statisticians for compiling such a thing. They get a lot of the data from the Department for Transport. The roads goods survey, for example, is UK-wide and the Scottish data is simply extracted from that.

Although I am praising that particular volume, it does not have data on everything and there is a big gap on utilisation of vehicle capacity statistics such as load factors, empty running of vehicles, information on the fuel efficiency of trucks in Scotland, and the proportion of alternative fuel that is used by trucks in Scotland. We need to factor all those things into our calculations of the carbon intensity of road freight in Scotland. We do not currently have that information. It might be available within the Scottish Government, but it is not published.

Alex Johnstone: What does the Government need to do to facilitate the collection of that information?

Professor McKinnon: That data is available at a UK level so the published figures are for the UK as a whole. It would be quite nice if we could present the Scottish figures separately.

Obviously Scotland has only 9 per cent of UK freight. We may need to increase the sample sizes in Scotland. If the sample size is too small the sampling errors are very high, so there might be a case for Scotland to increase the sample size for trucks.

Dr Piecyk: There may be a case for that. Some of the data may be available but just not

published, or the data may not be available because of the sample size. Increasing the sample size would help us to improve data availability.

Derek Halden: Data is changing very fast, and I would look to rely more on mechanisms such as the Chartered Institute of Logistics and Transport Logmark club, which has enormously detailed data from all the companies. If we can persuade all companies to come into benchmarking schemes that compare every detail of load factors and fuel consumption, for example, the data would then be available and shared in an anonymised way and we would actually have the figures.

Instead of doing it the old-fashioned way of going out and doing a traffic survey on the road to find out where people are coming from and going to, we now have GPS tracking and we know that type of stuff. Most companies are happy to share data in return for cash, so the data flows and the cash flows are actually—

Alex Johnstone: We call that selling data.

Derek Halden: Exactly, but that is what people mean by the knowledge economy. If you hear some of the stuff that is talked about, you will know that some world growth companies, such as Facebook, make their money purely from owning information. The knowledge economy is big and important, and yet Government statistics are falling a bit behind. Governments still view statistics as if they are something that is provided as a market failure, because information was always a market failure rather than an area of market growth, which is where information is now.

We should use what is out there and bring it together around a new marketplace for data, and then the statistics will improve how we look forward in all those areas.

Professor McKinnon: On a related point, I mentioned earlier that all the freight data that we have—not just in Scotland but anywhere in the world—is weight based. The tonne kilometre drives all our analysis. We lack volumetric data on cubic capacity. In the UK as a whole, we can see what the average lading of a truck would be by weight but that does not tell us what the density of the load was. A lot of trucks appear to be only partially loaded. A vehicle might be carrying only 10 tonnes when it could have been carrying 29 tonnes, but if the product is very low-density, all the cubic space could be occupied.

Alex Johnstone: I live opposite a flower shop that regularly gets large lorries delivering flowers and I do not imagine that they weigh very much. They also come from Holland.

Professor McKinnon: Exactly. All the evidence suggests that freight is getting less dense through time. Lighter materials such as plastics are being

substituted for metals and wood. We are packaging more and using more handling equipment. These days, trucking companies need more cubic capacity than they need weight-carrying capacity, and it would be nice if we had data sets that allowed us to analyse that.

12:00

Alex Johnstone: My final question is a bit of a catch-all and you may have covered some of this before I arrived. Are there any good examples of Government interventions or funding models in other parts of Europe that would be particularly suited to being transferred into Scotland?

Derek Halden: I alluded to the M8 completion, which is one of the really interesting examples. It is finally being funded from pension fund investment, and it is seen as investment and growth in the economy.

If we can unlock transport investment in all sorts of areas, we will see fantastic things happening in our cities. If the Government has £2 billion to spend, you can have everybody out there competing for their share of that £2 billion or you can have everyone working with the Government to turn it into £20 billion. What I am saying is that every pound that the Government spends needs to buy another 10. We must look at what we need to invest in and do in transport in order to create the modern, intelligent, connected, future world that we want. Loads of countries are on that trajectory.

The word that the CILT response to the inquiry used was “dramatic”. We need a dramatic change in the level of investment. We do not often use the word “dramatic”, but that is how the situation looks to people doing an overview of how we get from here to 2035 and that is the word that was used in the CILT paper on the future of logistics. The dramatic shift in investment that we need will not come from public funding; it is a question of how we use the limited public funding that we have to unlock all the good things that can happen.

The M8 may mean that we are starting to see the beginning of the idea that we could unlock that money, just as many other countries have been doing. I mentioned various projects around the world and how they package stuff up in ways that are acceptable to the population—it has to deal with the social issues and not just profits, so it must be packaged in a way that addresses all the needs of the people.

Too many of the early private finance initiative schemes were badly run and badly organised. From the perspective of the Scottish taxpayer, the whole model was badly damaged. That needs to change. There is no alternative.

How we bundle up projects is key; we cannot have private individuals going out and spending all their money on private cars, private lorries or private buses, separately from the public investment system. In that case all that would happen is that the public system would lose because it has so much less money. We need to ensure that the limited public money levers in, in a more socially inclusive partnership direction, the things that need to happen in Scotland, and then people will buy the good logistics inadvertently.

The Convener: Perhaps we can leave it there.

Professor McKinnon: Maybe the Scottish Government could prioritise logistics. To put it into a global perspective, every two years the World Bank rates countries in terms of their logistics performance. At the moment, Germany is number 1 and the UK is number 4. The ratings are not broken down by countries within countries, such as Scotland. Germany, the Netherlands, South Africa and France are now prioritising logistics as a sector and promoting it. That goes beyond just freight transport—freight is seen as part of a bigger logistic system.

Logistics has an image problem. Earlier, you asked me what the big issues were back in 2006. One of the big issues then was a driver shortage. I have noticed in some of the evidence to the inquiry that there is still a feeling that there is a driver shortage. Why is that? It is partly because freight and logistics has a bad image and it is not seen to be a good source of employment.

We could consider ways in which we could promote logistics as an industry sector. Because it is so diffuse and so many companies are engaged in logistics, we do not think of it as an industry in its own right. There are now several countries that produce a state of logistics report every year—the US, for example—looking at the state of the logistics sector and what can be done to support it.

There are a couple of other minor things. For example, one thing that is fundamental to Germany's freight policy is its toll collection system. It has a road user charging system for trucks: the German Government reduces vehicle excise duty and fuel duty and taxes the trucks by the kilometre. It reckons that that has reduced the empty running of trucks, improved load capacity and engineered a modal shift to rail. Again, perhaps at some stage we could return to the possibility of taxing trucks by the kilometre.

Alex Johnstone: Does that specifically address the fact that a high proportion of heavy goods vehicles in Germany are non-German?

Professor McKinnon: Yes, it does. A third of the truck kilometres on the German autobahn network are non-German, whereas the equivalent figure for Scotland is 3 or 4 per cent. It is true that

that was a big motivation for the Germans, but the principle could equally be applied in Scotland or the rest of the UK.

Dr Piecyk: The engagement of the Government with local alternatives and with academia and private companies to take advantage of funding—there are various sources of funding, such as European funding through the trans-European transport network or horizon 2020, or UK funding—to support research into how to improve the system and make it more efficient is important. We need a more joined-up approach to the problem.

The Convener: We have had a mammoth session this morning, but it has been hugely helpful to the committee and will inform our work on the inquiry. I thank the witnesses for giving evidence today; in particular I thank Professor McKinnon for having made the longest commute—although I rather suspect that you did not begin your journey from Hamburg this morning.

Professor McKinnon: I still live in Edinburgh.

The Convener: I did not realise that. Well, we are still very grateful to you and to all the witnesses.

12:07

Meeting suspended.

12:11

On resuming—

Subordinate Legislation

Provision of Water and Sewerage Services (Reasonable Cost) (Scotland) Regulations 2015 (SSI 2015/79)

Scottish Road Works Register (Prescribed Fees) Regulations 2015 (SSI 2015/89)

The Convener: Agenda item 2 is consideration of two negative instruments—SSI 2015/79 and SSI 2015/89. Paper 3 summarises the purpose and prior consideration of the regulations. The committee will consider whether it wishes to raise any issues in reporting to the Parliament on the regulations. Members should note that no motions to annul have been received. I invite comments from members.

As members have no comments, does the committee agree that it does not wish to make any recommendations in relation to the instruments?

Members *indicated agreement.*

Scottish Housing Regulator Annual Report 2013-14

12:12

The Convener: The final item of business is consideration of a response from the Scottish Housing Regulator following the committee's scrutiny of its annual report for 2013-14. Members will recall that the committee wrote to the regulator, and a letter has been received from it that provides a detailed response on the issues that the committee raised.

The letter highlights action that is being taken to address concerns that have been raised and areas in which further work is required. It also highlights areas in which further consultation and dialogue are required with stakeholders, including the Scottish Federation of Housing Associations and the Glasgow and West of Scotland Forum of Housing Associations. For example, it outlines that, to address concerns about proportionality, the SHR will publish more information on how it conducts its assessments and the outcomes of those assessments. It will also look at ways in which it can further improve the transparency of its operations.

The SHR supports the introduction of an appeals process, and it plans to consult on how an appropriate independent and proportionate system can be developed and implemented. It is working with stakeholders on a publication about how it applies the policies that are set out in its regulatory framework to cases in which serious concerns are raised.

In April, the SHR will issue updated information leaflets about whistleblowing and what will happen if concerns are reported. The content of those leaflets is being discussed with the SFHA and the GWSF. The SHR will work to improve the tone of its publications and will aim to include more positive examples in future editions of its "Governance Matters" and "Performance Matters" publications. It proposes to change and clarify the requirements for dealing with notifiable events, such as when a senior officer leaves a registered social landlord. It is exploring the potential to develop a framework agreement that the SHR and registered social landlords can use to appoint consultants who may be required to support RSLs that are experiencing challenges.

12:15

On the appointment of contractors, particularly in rural and island areas, the SHR explains that landlords can use the comply-or-explain principle to deal with challenging situations. It will continue to work with the Scottish Federation of Housing

Associations on its proposed model payments and benefits policy.

That is a summary of the response that we received from the regulator. I invite comments from members on it and on any further action that the committee should take.

Mike MacKenzie: I feel unsatisfied with the response in a number of areas. My particular concern relates to the purchase by governing body members or staff of goods or services from RSL suppliers or contractors, which you touched on, convener. The SHR seems to have responded in terms that are almost identical to its previous response. I am not satisfied that it understands how burdensome and difficult the situation is for housing associations in rural areas. The problem affects not only members and staff but their families. In limited local economies in rural areas, it can be almost impossible to operate under the current conditions. Equally, it would be hugely burdensome to create explanations case by case for what are sometimes fairly trivial purchases.

I am aware, from certain housing associations that have been in touch with me, that the issue has been going on for some years with no apparent resolution. I hope that the regulator can respond to us in more concrete terms, along with a timescale for how it proposes to deal with the matter.

The Convener: The committee can write to the SHR again to raise any specific points—such as the one that you have just raised—on which members feel that further action is required.

I invite further comments.

Mike MacKenzie: Instead of having an interchange of letters in which we reply in like terms, would it be possible for the SHR to come back to the committee to discuss some of the issues further?

The Convener: That is a good suggestion, and we can certainly progress it. Do any other members have a view on that?

David Stewart: I agree.

Mary Fee: It is a good point.

The Convener: If there are no other comments, does the committee agree to note the response that we received and to invite the SHR—and perhaps social housing sector stakeholders—to appear in June, before the summer recess, to provide an update on the progress that has been made?

Members indicated agreement.

The Convener: Do we agree that we will—Mike MacKenzie's comments notwithstanding—write to ask the SHR to provide us with an update in

advance of that evidence session and perhaps to prioritise progress on areas that have been highlighted in the correspondence? I am thinking of the appeals process in particular.

Members indicated agreement.

The Convener: We now move on to a related issue. Members will be aware that submissions have been received from Dumfries and Galloway Housing Partnership and Dumfries and district trades union council. The submission from the trades union council covers a petition that calls for a judicial review of what it considers to be a failure of the SHR to apply due diligence in the award of a £77 million contract to R&D Construction, which subsequently became insolvent. Members will wish to note that the petition did not come via the Parliament's public petitions process.

The submission from DGHP covers a communication to its tenants that is intended to provide clarification of its position following recent media scrutiny relating to the concerns raised by the trades union council. It indicates that payment was made only for works that R&D Construction carried out and completed. As part of managing risk, DGHP has stated that it also retained moneys, which acted as its insurance against any future losses that it might have incurred. The money that was retained covered the cost of having to retender the contract after R&D Construction ceased trading. DGHP has suggested that there was no loss of public money. Funds for the regeneration work came from the Scottish Government, Dumfries and Galloway Council and DGHP's private finance.

DGHP says that all that funding is accounted for and has been audited each year by DGHP's external auditors as part of the preparation of its annual accounts. DGHP points out that, when the Scottish Government, Dumfries and Galloway Council and DGHP undertook the regeneration programme back in 2009, a detailed tender process was undertaken in accordance with procurement law. DGHP states that

"R&D's tender was scored by all parties to be the best";

that it carried out detailed financial testing to ensure that all tendering contractors were financially stable enough to carry out a contract of such a size; and that R&D passed the financial tests at that time. It further states that

"these financial tests were recently reviewed—through an investigation carried out by a respected firm of auditors—and it was found that DGHP acted correctly by appointing R&D."

On the specific point about its involvement in the management of contractual matters by RSLs, the SHR's response is that RSLs are independent businesses and it is for landlords to manage their affairs, including their responsibility to ensure that

they are financially healthy and delivering good outcomes for their tenants. The SHR makes it clear that it is each landlord's responsibility to ensure that it meets all relevant legislation, regulatory standards and good practice in relation to all its business decisions, including procurement decisions on the award of contracts to build new houses or to maintain existing homes. It is important that the point is made that the regulator has no role in the individual business decisions or due diligence undertaken by social landlords, and nor is it the committee's role to be directly involved in determining individual RSLs' contractual arrangements.

Members will be mindful of the strength of feeling that has been expressed by Dumfries and district trades union council and the supporters of its petition. However, in deciding what action it would be appropriate for the committee to take, we need to give due consideration to the context of our role and remit as a committee, so I will refer briefly to the legislative position. Beyond the fact that section 19 of the Housing (Scotland) Act 2010 requires the regulator to lay its annual report before Parliament, the Parliament is given no specific powers in relation to the SHR's activities. In particular, the Parliament is given no power to adjudicate on complaints that are made about the regulator or to act as an appeals forum.

Given all that, I invite members to express their views on the issue and how we should respond to the Dumfries and district trades union council petition.

David Stewart: For the record, I draw members' attention to the fact that, in the mid-1980s, I was a member of Dumfries and district trades union council, but I have not been in touch with the council for a number of years and I have not spoken to Mr Dennis about the issue specifically.

Members will know of my interest in petitions as the ex-convener of the Public Petitions Committee. The Parliament generally gets a lot of international recognition for the work that it does on petitions. I understand that there might be admissibility issues, but my advice to the committee is that we try to get an admissible petition from the trades union council so that the Public Petitions Committee can consider it.

I understand that the petition might well end up back with us, but nevertheless we have to give regard to the fact that the Public Petitions Committee is set up to look at such issues. I recommend that we ask officials from our committee and that committee to work with Mr Dennis to produce an admissible petition so that the committee that is set up to look at petitions can formally consider the issue.

The Convener: If there are no other views, do we agree that officials of this committee will contact Dumfries and district trades union council and suggest that it pursues the route of submitting a petition formally to the Public Petitions Committee?

Members *indicated agreement.*

The Convener: Do members also agree that we will write to Dumfries and district trades union council formally?

Members *indicated agreement.*

The Convener: Thank you, colleagues. That concludes today's committee business. There is no meeting on 25 March—the next committee meeting will be on 1 April.

On Monday 23 March, I, along with Mike MacKenzie, will visit Skaraborg logistics centre in Falköping in Sweden, and the port of Gothenburg. David Stewart and James Dornan will visit the Binnenstadservice in Nijmegen in the Netherlands and a nearby port.

Meeting closed at 12:25.

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