

5b Freight Matters Update

o Purpose of Report

The purpose of this report is to update Board members on freight issues.

o Background

Members will be aware that Nestrans has established a North East Freight Forum which meets approximately annually and has produced a Freight Action Plan, as a sub-strategy of the Regional Transport Strategy. The Freight Action Plan identifies key freight issues and proposes action towards supporting a viable and effective freight industry.

o Freight Forum meeting

The last meeting of the Freight Forum took place on 23 June 2014 and is normally held on about an annual basis. It is proposed that the next meeting be scheduled for late May or early June, perhaps with a different format – an evening meeting in a less formal setting has been mooted.

o ICI Committee Inquiry into Freight

The Scottish Parliament's Infrastructure & Capital Investment Committee has announced that it will undertake an inquiry into freight transport in Scotland. The remit of the Inquiry will be:

“To identify and understand some of the challenges facing the freight transport industry in Scotland, including domestic and international links as well as the interconnectivity of rail, road, air and sea freight services and to identify key areas for development, improvement and change.”

Deadline for inputting written comment to the Inquiry was 16th January and it was therefore necessary to prepare an officers' response, which was shared with Nestrans' Chair and Vice Chairs before submission. The Committee have however been informed that the Board would consider a report and may wish to add to the response.

A draft response was circulated to members of the North East Freight Forum and comments taken on board before a final version submitted to the ICI Committee in advance of their deadline of 16th January.

A copy of Nestrans' response is attached as Appendix 1 to this report.

o Transport Scotland Seminar on Rail Freight

Nestrans officers were invited to attend a workshop on Rail Freight, called by Transport Scotland's Rail Policy team. The seminar was held at the Marine Scotland laboratory in Torry

on Friday 23rd January and was one of three such seminars, seeking to better understand the barriers to, and opportunities for further use of rail to transport freight.

The seminar was attended by representatives of Nestrans, Aberdeenshire Council, Hitrans, Tactran and Highlands & Islands Enterprise as well as from Transport Scotland's Rail Policy and Railfreight teams. The purpose was to kick off Transport Scotland's development of a Scottish Rail Freight Strategy, recognising that a freight train can remove up to 60 lorry movements from the road, with a reduction in carbon emissions of around 75%.

The strategy is likely to consider a 20 to 30 year time horizon, from a 2019 baseline and is supported by a funding package through the Strategic Freight Fund, detailed in the High Level Output Statement for rail investment. Issues raised related to companies operating their own terminals, competitive pricing from road haulage, barriers in the perception of businesses to rail, availability of wagons and infrastructure issues such as the single line section of the East Coast at Usan, near Montrose.

Transport Scotland indicated an intention to produce a draft Strategy in the summer and for further consultation and involvement in the process.

o **Recommendation**

It is recommended that the Board:

- a) Note the contents of this report;
- b) Endorse the Appendix as Nestrans' input to the Scottish Parliament's Infrastructure & Capital Investment Committee Inquiry on Freight; and
- c) Note the intention to organise a Freight Forum meeting later in the year.

RD/10 February 2015



Response to call for views from the Infrastructure and Capital Investment Committee.

FREIGHT TRANSPORT IN SCOTLAND

The Scottish Parliament's Infrastructure and Capital Investment Committee has announced that it will undertake an inquiry into freight transport in Scotland. The remit of the Inquiry will be:

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The Committee has written to Regional Transport Partnerships seeking views on all aspects of freight transport infrastructure, including rail, road, air and sea freight. Views are particularly sought around the following key questions:

- Can you identify the main infrastructure and policy obstacles to the free flow of freight in Scotland, whether carried by rail, road, air or sea?
- How can Scotland's rail, road, air and sea freight routes to the rest of the UK, to Europe and worldwide be improved?
- How can the Scottish Government structure its freight grant schemes to support the switch of freight to more sustainable modes of transport?
- Are there any European Union initiatives which could provide further opportunities for Scottish freight transport?
- How can the freight industry make a contribution to greenhouse gas emissions reduction?
- Which policy changes, or infrastructure improvements, are required to increase the flow of goods through Scotland's major sea ports?

In the north east of Scotland, Nestrans has produced a Freight Action Plan, which was recently refreshed and approved by the Nestrans Board early in 2014 and relaunched in June 2014. A link to the Plan is attached:

http://www.nestrans.org.uk/db_docs/docs/FAP2_Appendix.pdf

Nestrans, the local authorities and other partners have formed a Freight Forum in conjunction with north east businesses, particularly from the freight and haulage industry. The Freight Forum meets approximately yearly and is chaired by the Managing Director of one of the area's largest haulage companies: the Forum Chair is also a Nestrans Board member and currently Vice Chairman of Nestrans. The Freight Forum provides an opportunity for communication between public sector and industry, is a valuable liaison tool and acts as a consultation forum on all freight matters, either through the annual meetings or by email distribution if necessary. The Freight Forum is more than just a sounding board – it also informs improvements to the transport network. Local hauliers bringing direct experience of network limitations, have been able to suggest a variety of improvements which can be developed as potential schemes, some of which have been successfully delivered to the benefit of the haulage industry.

Over 30 million Tonnes of goods (excluding oil and gas) are moved to, from and within the north east of Scotland annually. In 2012, some 24 million Tonnes were moved by road and around 6.2 million Tonnes passed through the region's major ports of Aberdeen and Peterhead.

The following is a summary of key issues and concerns for freight in the north east of Scotland, as articulated at Freight Forum meetings or other discussions and follows the structure of the inquiry's specific questions above;

- **Can you identify the main infrastructure and policy obstacles to the free flow of freight in Scotland, whether carried by rail, road, air or sea?**

The main obstacles to the free flow of freight to, from and within the north east: -

Rail: the most frequent obstacles perceived are the limited rail network in and to/from the north east of Scotland, which restricts availability of services, capacity and a scarcity of marshalling sites; cost; gauge limitations requiring speciality wagons, reliability and resilience issues. Most rail freight traffic will require road haulage to access the rail terminal and then additional cost/time to transfer to rail. This adds to costs and is perceived as inconvenient. Rail freight operators are considered to be difficult to deal with – the time taken to provide a quote or to offer small scale carriage is seen as cumbersome compared to road. Many potential rail traffics are bound to long-term contracts or haulage is provided as part of the contract which has been agreed (this is the case for example with recyclates and other potential goods which may otherwise be suitable for rail carriage).

Constraints on the main rail lines from Aberdeen limit the potential for rail freight, including the single track section at Usan near Montrose and through Fife. Loading gauge “pinchpoints” and the single rail line between Inverness and Aberdeen, with a lack of crossing loops/passing loops are also limitations on the potential for rail freight. One critical element limiting rail freight to/from the north east is the lack of a seamless onward connection at Grangemouth to a southbound service. In effect this limits the north east's rail network to a daily shuttle between Aberdeen and Grangemouth, which limits competitiveness for the majority of container-sized loads which might be backfilled on the service. In some circumstances, this results in a journey from Aberdeen to Grangemouth on day one, transfer from Grangemouth to south bound train on day two, and delivery to final destination on the third day. It can also be difficult to load the containers in an efficient manner, with (in the absence of curtain-sided trailers) loading ramps needed at each depot, etc. The result is a more costly and longer delivery

compared to road haulage for relatively small consignments, which is exacerbated by the currently low diesel cost as it is at present. There may be scope for rail hauliers to co-operate and share capacity north of the Central Belt, thereby opening up the possibility of further departures per day from Aberdeen to Grangemouth. This could improve the core offer to customers on this corridor and would inherently reduce waiting times for connections.

Road: congestion is the biggest issue affecting road traffic. In particular, lack of investment in strategic routes in the north east has resulted in a deficit of infrastructure, resulting in delays and inconsistent journey times. Aberdeen & Grampian Chamber of Commerce's 2012 Supply Chain and Procurement Study found that 3 in 10 businesses experienced rising costs due to unacceptable delays in delivery caused by congestion.

The area is already at a disadvantage due to distances to markets and insufficient trunk roads exacerbate these disadvantages. Accidents, maintenance, weather incidents or other lane closures can have serious effects on the haulage industry. Committed expenditure over the next five years or so will only bring the region's infrastructure to a baseline – further development pressures and projected population and economic growth will also require to be accommodated. The slow progress in delivering improvements including the proposal to dual the A96 and the lack of dualling (or any alternative scheme) on the A90 between Aberdeen and Peterhead are obstacles to the free flow of freight in the region.

Although the Aberdeen Western Peripheral Route will result in some improvements to freight movements in and around Aberdeen, there needs to be recognition that routes between the city centre and AWPR are extremely congested and will continue to be constrained even with the AWPR open.

Air: although small in scale, air freight tends to be high value goods or essential goods required urgently. Aberdeen International Airport does handle air freight, and deliveries to offshore installations by helicopter are an important aspect but most "air freight" from the north east is actually trucked to larger airports such as Manchester or Heathrow.

Sea: ports and harbours in the region are all experiencing capacity issues and the major ports at Aberdeen and Peterhead have proposals to expand. Aberdeen Harbour proposals to locate an extension in Nigg Bay to the south of Aberdeen Harbour has been included in the National Planning Framework 3 and work is progressing towards enabling this significant national project. There is a need to look at how traffic, in particular freight, moves between the current and new sites and accesses the new harbour. There may be an opportunity to link the new harbour to the rail network to maximise the opportunity for intermodal connections through the new harbour, although upgrades to road and rail infrastructure may require funding, either through City Deal or Scottish Government support, to enable implementation. Aberdeen acts as the mainland port for the Northern Isles ferry services to both Orkney and Shetland, which includes significant volumes of freight and livestock. Investment in the strategic road network is critical to ensure effective, efficient and uncongested access to ports to enable their long term attractiveness and ultimately their sustainable success.

- **How can Scotland's rail, road, air and sea freight routes to the rest of the UK, to Europe and worldwide be improved?**

Priority should be to ensure that internal issues are addressed first. It is more important to ensure that Scotland's road network is fit for purpose and that rail gauge is adequate rather than campaigning for investment south of the border or elsewhere in the European Union. Sea freight routes should be supported where appropriate, but it should be recognised that from much of Scotland a direct service from the Central Belt of Scotland is only of marginal benefit compared to a service from the north of England since driver hours dictate the desirability of competing ports.

Grants and other incentives to encourage shipping to use more efficient/alternative fuelled engines or to support clean on-shore power links at harbours provides potential for environmental gains with sea freight. This needs to be co-ordinated by the European Union to ensure benefits across the board with a level playing field.

- **How can the Scottish Government structure its freight grant schemes to support the switch of freight to more sustainable modes of transport?**

Scottish Government need to better understand European and DfT restrictions on "state aid" to ensure that grants are not delivered in a way which disadvantages businesses and regions which are remote from major markets. Currently rail freight cannot be supported by grants over longer distances since it is assumed that this should be commercially viable. However, due to volumes and commodities, it is often not commercially viable to use rail and the grant system is therefore not working. There are also opportunities for the Scottish Government to make grant support for sea freight more user-friendly. This avenue of support should be positively marketed and promoted to potential users. This could be undertaken through hauliers, shippers and ferry companies. If the Government is serious about removing freight from the roads, then they should resource shipping and rail initiatives proactively.

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

Scotland's Regional Transport Partnerships are involved in a number of European projects relating to freight distribution. Nestrans has supported Aberdeenshire Council in the StratMoS and Greco projects, both of which have sought a better understanding of strategic sea freight opportunities around the North Sea region. There is also a need to ensure that the Trans-European Networks – Transport (TEN-T) recognise the importance of peripheral regions, the opportunities for such regions to be an important contributor to sustainable economic development and the need to ensure that the European Union has policies to support economic development in such areas.

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

Whilst mode shift might play a small factor in improving carbon emissions, it is more likely that substantial change will come about through improved technology and incentives to invest in cleaner lorry fleets. Vehicle efficiency improvements and emissions reductions have been significant in recent years and are likely to continue to improve. Logistics efficiencies can also help to ensure that efficiencies (and therefore emissions) are improved.

The manufacture of goods vehicles is enabling cleaner, greener and more efficient fleets all the time – the Scottish Government should consider an incentive scheme to encourage hauliers to replace older trucks sooner to kick start a higher uptake of green burn vehicles.

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

Support for port development is very important in ensuring a sustainable future for Scotland's sea freight industry. Infrastructure to improve access through investment in the strategic road network should also be prioritised and be seen as complementary to support ports and port development.

Nestrans has sought contributions, comments and additional evidence from constituent local authorities' staff, stakeholders and members of the North East Freight Forum as input to this response. However, in order to finalise a submission in time for the inquiry deadline of Friday 16 January 2015, it has not been approved by the Nestrans' Board. It will be reported to the next Board meeting on 20 February 2015 and any further comments will be forwarded to the Scottish Parliament thereafter.

Rab Dickson

Transport Strategy Manager

15 January 2015.