



Report to Partnership Meeting 15 April 2016

RESEARCH AND STRATEGY DELIVERY

Delivering the Goods- Consultation towards Scotland's Rail Freight Strategy

Purpose of Report

This report provides Members with information on Delivering the Goods Rail Freight Strategy.

Background

The rail freight sector is vital to the competitiveness of the Scottish economy and the Scottish Government's vision is for a competitive, sustainable rail freight sector playing an increasing role in Scotland's economic growth by providing a safer, greener and more efficient way of transporting products and materials.

In recognition of this and following an extensive consultation process we have published [Delivering The Goods – Scotland's Rail Freight Strategy](#).

Delivering the Goods

The Strategy sets out how Transport Scotland / Scottish Government will work in partnership with the rail freight industry and others to realise the vision through the four core levers of:

- Innovation - new, efficient ways of delivering
- Facilitation - building strong, lasting partnerships
- Promotion - showcasing the benefits of using rail freight
- Investment - maximum return for whole system investment

The Strategy is built on an extensive consultation process.

The Strategy builds on the support currently available for rail freight through the range of infrastructure enhancements that help to improve the attractiveness of rail freight in Scotland, the dedicated £30 million Scottish Strategic Rail Freight Investment Fund which is governed by the rail freight industry, and the two freight mode shift grants schemes which enable companies to transfer freight to sustainable modes including rail.

The strategy was published on 22 March 2016, and can be viewed here:

<http://www.transport.gov.scot/system/files/documents/tsc-basic-pages/Rail/TS%20Rail%20Freight%20Strategy%20A4%20AW3.pdf>

Of interest to HITRANS is the section on Innovation:

The Scotland Freight Joint Board will consider the barriers to innovation and attracting new freight onto the railway network and how these can be overcome. The Board will use, among other things, the evidence from the 'Lifting the spirit' trial and the 'Branchliner' initiative as a basis to identify areas for positive action. Areas for consideration will include:

- *Behaviour and culture.*
- *Regulation and standards.*
- *Barriers to market entry.*
- *Moving joint loads.*
- *Network capability, particularly for containerised traffic.*
- *Export potential, in particular through the ports and direct services via the Channel Tunnel.*
- *Identification of particular markets for deeper exploration and potential pilot initiatives. Initial focus should include food and drink, timber and construction.*

A ring-fenced rail freight innovation fund is proposed for Control Period 6, and HITRANS is well positioned to be involved.

The HITRANS consultation response appears in the Annex below.

Recommendation

1. Members are asked to note the report.

Risk	Impact	Comment
RTS delivery	√	This project fits well with a number of RTS Horizontal themes.
Policy	√	This project has integration and environmental benefits.
Financial	√	This project is partially fully funded
Equality	-	No impact on equalities issues.

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Date: 5 April 2016

Annex - HITRANS RESPONSE

Introduction

Freight in the Highlands and Islands use all four modes- road, rail, sea and air- to enable even the remotest island communities to participate in the economic life of the country. Because of the geography, rail links have a lifeline nature. Infrastructure resilience in the face of climate change is key to ensuring that networks operate around the clock. Weakness in infrastructure provision leads to a lack of business confidence in the rail network.

Unlike roads, the railway is not open 7 days, nor 24 hours per day. Access to the track is limited by maintenance access requirements, and signaller shifts. A new freight flow, for example, may require signal boxes on trunk routes to be opened up specially, incurring substantial costs borne by the logistics supplier (although one advantage of the RETB signalled network north of Helensburgh and Inverness is round the clock staffing for level crossing and maintenance access). Overnight freight gets the goods to the customer when it is required, and more quickly as there are few or no passenger trains competing for paths. The largely single track nature of the network in the Highlands also limits capacity in terms of the number of train paths. A much-discussed and desirable, commercially viable early arrival in Inverness of a retail goods train is simply impossible.

The Highland Rail Network has a restricted loading gauge which reduces the railway's ability to compete effectively against road. Container clearance on the Highland Main Line is restricted, while on Inverness-Aberdeen line improved gauge is available from Elgin eastwards only. The restricted loading gauge on all Highland routes reduces the railway's ability to compete effectively against road. Electrification will of course bring about a significant improvement in gauge. On the Far North and West Highland Lines a number of structures are weight restricted, and track geometry sub-optimal which limits access by certain types of freight locomotive, and reduces the speed of all locomotives.

Terminals in the North are limited in number and capacity, particularly for multimodal traffic. Fort William has only dedicated terminals for oil and alumina, Inverness handles bulk cement and supermarket goods, Lairg has oil discharge facilities and Georgemas receives nuclear and pipe trains, although traffic to Orkney regrettably ceased some years ago. While access is regulated by ORR it would be perhaps helpful if Network Rail took a more proactive role in terminal development and management, possibly for timber which may have an otherwise detrimental effect on fragile roads.

Our area requires good cross border rail links to East Coast ports via the East Coast Main Line and to the Midlands/South East via the West Coast Main Line. High Speed 2 will release capacity for freight on the classic lines, and growing electrification in Scotland will allow fast, all-electric freight to the south. Timely access to Central Scotland terminals at the right time to connect with trunk flows is very important.

We acknowledge the state aid issues with supporting rail freight but serious mode shift will only occur when there is parity of cost, opportunity and reliability for new entrants on road and rail networks. The barriers to new entrants to rail can be lowered if Government can simplify the application process, allow non-commercial applicants and set realistic targets and budgets.

EU funding does offer an opportunity to support and develop sustainable freight projects. This includes specific funds such as the TEN-T Networks that are very well focussed towards freight flows.

HITRANS have also enjoyed success in other EU funding sources including the INTERREG funding stream where HITRANS participation in the Food Port North Sea Area project enabled the innovative trial of modal shift from road to rail for the transport of Whisky product from Elgin / Speyside to central Scotland distribution and bottling plants. The Lifting the Spirit project was a HITRANS led initiative delivered in partnership with Scotch Whisky Association (SWA) HIE, Moray Council and our Food Port partners which enabled a wide range of distillers the opportunity to move bulk spirit and other food products by rail to/from Elgin during autumn 2013. With 48% of HGVs on the A95 whisky-related, sufficient potential traffic was identified. The objective was to offer this on a cost neutral basis as many of the potential customers had not used rail transport from the north of Scotland in the last 20 years, although most had recent experience of intermodal transport for cased goods and bulk spirit from Central Scotland. In majoring on an iconic product we were able to demonstrate the availability of alternative

transport infrastructure and thus enhance or at least retain the area's competitive position at a time of growing transport costs and increasing demand for transport. The spirit was moved in demountable container tanks on rail wagons. Lifting equipment was procured at Elgin to facilitate transfer from local hauliers, and the tanks were sent to an intermodal terminal in Central Belt for onward delivery. Key outputs included:

- modal shift to rail
- maximising the use of rail's capability, demonstrating resilience and performance
- assisting with the development of the Moray economy
- encouraging collaboration among producers
- making the case for further infrastructure investment

The Lifting the Spirit project highlights the opportunity that EU funding can offer and was a useful way of proving demand and costs ahead of developing a longer term project through commercial business case and/or freight facilities grant.

While EU funds can attract a favourable intervention rate (Food Port secured 60% of costs met by EU sources for Lifting the Spirit) the need for the Scottish partner to provide match funding is a barrier to participation in these projects. If a fund was established to support Scottish public bodies in their participation in EU projects there would be a real opportunity for Scotland's return from EU funding to increase significantly.

The EU has set a target of 30% of all >300km freight movements to be by sustainable mode by 2030, 50% by 2050. This needs to be reinforced, by promoting load-sharing, break bulk, rail electrification and low emissions deliveries.

Over the next 10-15 years the timber industry needs to transport 4 million tonnes of timber from the wider Flow Country catchment to distant markets. This will have consequences for the fragile public road network, the environment and the neighbouring communities. The carrying capacity of the road network is a major constraint. The Highland Timber Transport Group's Flow Country Strategy 2014-16 highlights the still unrealised potential for rail to play a part.

Branchliner is an investigative study which, if it proves positive, will lead towards a demonstrator project that will trial timber deliveries by rail.

HITRANS will bring together a high level strategic group to establish the importance of the issues at stake – the environmental peatland interest, the economic timber interest and the critical infrastructure constraints – and to ensure there is commitment to finding a viable solution. This group will set the context for and agree a brief for consultants to develop the options and make recommendations. The consultants will gather existing knowledge and experience of timber transport by rail in the UK to see how it can be best applied to the Far North Line. They will establish gaps in knowledge and understanding of physical, cost, logistical, environmental and community issues and, where necessary, commission consultancy services to fill these gaps. Suitably experienced consultants will investigate the optimum location and size of loading facilities, the cost of their upgrade or creation. It will take account of train lengths, terminal operation and train path metrics and consider the role of demountable ISO flatracks, conventional dedicated timber wagons and freight multiple units. All options will be reviewed, to determine the costs and to identify any logistical barriers to delivery of Flow Country timber by rail to Inverness and beyond. The environmental benefits of mode shift to rail from the Flow Country will be calculated.

We offer the following response to the questions posed in the Consultation Document:

1. What are your views on the vision for rail freight in Scotland?

We agree with the Government's vision, noting the emphasis on safety and environmental benefits. Rail freight acts as Scotland's link to the world: Coatbridge and Grangemouth are our gateways. An increasingly electrified network provides even greater greenhouse gas emissions compliance, as well as offering gauge enhancement.

2. What are your views on the market opportunities identified in the document?

With the reduction in coal carrying, rail freight in Scotland is in a perilous position. In addition to intermodal growth, new markets must be found. HITRANS has devoted resource to examining the potential for whisky and timber (see above), and sees the potential for niche markets in parcels (in connection with HST space), seafood (as per the Inverness sleeper) as well as bulk such as aggregates and timber. Fuel supply to our area is limited to oil to Lairg and Fort William, but a move to larger coastal vessels may mean that sea deliveries will be more concentrated on fewer ports. Intermodal units could be deployed to plug the gap and offer LNG and CNG options. The strategy should also note the existing rail movements of exotic fuels from Dounreay, and the likely increase in this traffic from Hunterston and Torness.

3. What are the 3 biggest opportunities for growth in the rail freight sector in Scotland?

In summary: niche high-value, time-sensitive (parcels, whisky, fuels, exotics), bulks (timber, construction) and intermodal retail/food (in and outbound).

4. What are the 3 biggest challenges to growth in the sector?

Firstly, the current market changes in the power generation sector are likely to lead to drivers, locos and wagons, being re-deployed to the south or to Europe. This will result in rail freight operators being unable to resource new traffic.

Secondly, access to the network is still an unknown quantity for many potential users, in terms of gauge, pathing, charging regime and terminals. Coupled with the falling price of road fuel and investment in new road infrastructure, a shift to rail seems all too difficult for some.

Thirdly, how to replicate the door to door service and commitment-lite flexibility offered by competing modes?

5. What are your views on the role of the Scottish Government, as outlined in the document?

Scottish Government, as the funder and specifier of the rail network must commit to reviewing and renewing the capability of the network (see HITRANS' Rail Freight Capability Study 2011).

A culture of innovation must be engendered, recalling perhaps the SRA's Freight Competition of a decade or more ago. One of the winners, the Freight Multiple Unit, could herald a radical move to short-line rail services on rural routes, without the time penalty for loco-hauling on unmodernised track formations.

Freight Facilities Grant and Mode Shift Revenue Support must continue, perhaps with a greater marketing push and de-mythifying exercise.

Government can take the lead in pushing for cooperative working amongst FOCs, in particular in encouraging path-sharing as opposed to path-squatting where infrastructure has limited capacity. Where there is market failure, consideration should be given to tendering out freight services for a limited period, along the lines of passenger franchises. This could facilitate rail hauling freight to the Islands using lower carbon routes and shorter sea journeys.

Where infrastructure upgrades are challenging, support could be given to rolling stock e.g low platforms which provide the same capacity outputs.

6. What are your views on the steps necessary to create a stable environment for growth?

The changing nature of Network Rail's governance structure and financial architecture will present Scottish Government with new challenges on funding, and a clear indication of its rail freight strategy will assist businesses in decision-making on their transport requirements. The Network Rail/ScotRail Alliance must be encouraged to send positive signals on the way it treats open access operators, including freight. Throughout the Periodic Review process, Scottish Government must

ensure that the regulatory regime for freight is suited to Scottish needs, and that industry roles are fully understood by planners, promoters and funders.

Regional Transport Partnerships and local authorities must be conscious of the very long-term planning process for rail freight, and acknowledge the difficulty of reinstating facilities once they have been removed.

7. Should targets be set in the final strategy and if so, what areas should these cover?

Given EU targets on emissions quoted above, targets for freight growth in Scotland taken from a post-coal baseline would be useful.

8. What are your views on the actions identified in the document and who should take the lead role in delivering these?

Scottish Government has to take the lead in establishing working groups to take forward the actions listed. HITRANS whilst lacking in resources is also keen to play an active part in assisting with the delivery of the proposed actions, in particular with the timber opportunities, food and drink and parcels.