

## Report to Partnership Meeting 8 November 2013

### EUROPEAN PROJECTS

#### Food Port – Lifting the Spirit Project

##### Purpose of Report

To provide Members with an update on the whisky by rail project which HITRANS are delivering with funds secured through the ERDF INTERREG IVB North Sea Area Food Port project and partnership contributions from Moray Council, HIE and HITRANS.



##### About Food Port

Food Port aims to develop the North Sea Region (NSR) as the best food cluster and hub in Europe for food products delivered via efficient and sustainable transport systems e.g. 'green transport corridors'. Food Port brings together partners from six North Sea countries (Belgium, Denmark, Germany, Norway, Sweden and the United Kingdom) to find practical solutions to improve the efficiency, effectiveness and sustainability of the food supply chains. The Food Port project operates under the umbrella of the INTERREG IV B - North Sea Region Programme, part of the European Regional Development Fund.

The project started on September 1st, 2010 and runs until February 2014. The total project budget is 4.9M€, of which the ERDF co-finances 50%. The project will investigate and develop green transport corridors for food products between regions around the North Sea. This will lead to concrete modal shift pilots along the identified green transport corridors and to the development of (new) food platforms or hubs. In order to improve the food-logistics chain, new technological solutions will be incorporated, such as a technical support platform.

**Central Aims of FoodPort:** Optimization and coordination of food logistic chains in the North Sea Region; improve the accessibility and transport logistic system of different food clusters in the North Sea Region; strengthen the food industry within the NSR: strategic position as FOOD HUB.

**Food Port Priorities:** Promote the development of multi-modal and transnational transport corridors; promote the development of efficient and effective logistic solutions.

### **Whisky by Rail Trial**

Around 85% of all Scotch malt whisky is produced at the 77 malt distilleries which lie in the HITRANS area. Since the whisky industry currently accounts for the majority of Scottish food and drink exports, producers directly employ around 10,000 workers, with the industry supporting a total of 35,000 jobs. The industry contributes £2.7bn of 'Gross Value Added' (excluding its contribution to the Scottish tourist industry) and is expected to experience significant growth in the coming years, with investment in new production regularly announced.

Following our much heralded work on Whisky Logistics in 2011, HITRANS has submitted an INTERREG IVB bid to the Food Port project to fund trial movements of bulk spirit by rail. 50% intervention is available, with match funding anticipated from the private sector and ourselves and partners.

HITRANS is working through the Scotch Whisky Association with a number of distillers in Speyside to identify volume availability, location, distance from railhead, loading time, loading facilities etc. A plan has been devised for the efficient transfer of 16-20 containers of bulk spirit to move 2 times per week from Elgin to Central Scotland.. The exercise will be cost neutral to the distillers. The true costs of the rail operation will be established, and environmental benefits calculated. There will also be resilience, performance and road maintenance benefits. The environmental aspects of project will be audited by an academic partner. All data captured will be available to the whisky industry and to Food Port partners.

### **Summary of Project Status 28 October 2013**

- Track improvements value £25000 have been carried out in Elgin Yard to permit traffic to run
- A detailed train plan with DB Schenker was drawn up.
- LogMan JG Russell procured 33000 and 26000 litre ISO tanks
- A reachstacker was procured by JGR for container lifting.
- Access to distilleries for loading ISO tanks was tested
- Pathing to and operation of the yard was proved
- Optimum wagon/container combination to maximise gauge availability was studied
- An alliance has been developed between Network Rail DB Schenker JG Russell and HITRANS to successfully operate trains
- Solutions to contractual/liability issues have been found
- The market for 33000 litre ISO tanks vs 26000 litre ISO tanks has been tested
- The terminal has been operated in in a safe and secure manner
- The distillers' requirements for tank cleaning have been met
- Minor alterations to distillers' loading infrastructure has been carried out
- There has been widespread media and trade press coverage including BBC news
- TRI have been appointed to carry out the environmental benefit study
- In addition to bulk spirit, seed potatoes for export in reefers and empty whisky casks in deep sea containers have also been carried.

Trains have run from the beginning of September 2013 with a stakeholder event coinciding with the Food Port Partner Meeting at Elgin on 13 September, addressed by the Cabinet Secretary for Rural Affairs and the Environment Richard Lochhead.

The trains have been running once a week rather than twice weekly as the volumes have been lower than anticipated. The reasons for this could be summarised as:

- Contractual difficulties- distillers have found it hard to switch contractual liability from their hauliers to JG Russell and DB Schenker. This has now been overcome
- Insurance cover. Existing hauliers such as McPhersons have cover for 2 loads per train per distiller. Additional cover is now available from DB Schenker taking the ceiling from £8m to £16m although this additional premium has not yet been required. The switch of contractual liability to JGR DBS should allow more volume to be released.

## Budget Update

Total funding for the project has been confirmed at €297k. The project will ensure cost neutrality to the distiller, with HITRANS making up the difference between the current road option, and the planned road-rail-road option. The budget is now wholly committed

## Recommendation

1. Members are asked 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 fully funded
Equality	-	No impact on equalities issues.

**Report by:** Frank Roach  
**Designation:** Partnership Manager  
**Date:** 28<sup>th</sup> October 2013