

## **Report to Partnership Meeting 15 November 2018**

### **RESEARCH AND STRATEGY DELIVERY**

#### **Wood You Use Rail?**

##### **Purpose of Report**

This report informs Members of the work that has been completed for Cabinet Secretary Fergus Ewing and is to be followed up by site visits to potential timber hubs and terminals, and meetings with prospective rail freight consignees and operators.

##### **Summary**

Rail is of interest to a number of timber industry players, particularly those that have a high throughput and therefore have to cast the net widely for timber resource. The rail industry is able to provide limited services currently; historically it has not been a highly profitable commodity, requiring specialist equipment. However, there is a need for public agencies to assist the private sector in kick-starting timber flows by rail, providing the evidence for multi-modal opportunities on which future investment decisions can be based.

##### **Introduction**

This research was undertaken by HITRANS in February/March 2018 at the request of the Forestry Commission and is designed to measure the Scottish timber industry's enthusiasm for rail, following up on a question posed by Cabinet Secretary Fergus Ewing at a timber by rail task force meeting. A number of key figures in the forest harvesting, haulage and processing sectors were contacted to explore whether there is any potential interest, and people's views of the key hurdles or barriers. Common themes are explored and next steps to take are considered.

##### **Rail Freight Policy**

The rail freight sector is a vital part of Scotland's economy. The Scottish Government's vision is for a competitive, sustainable rail freight sector, one that plays a significant and increasingly important role in Scotland's economic growth. It will provide a safer, greener and more efficient way of transporting goods and materials.

Following the publication of the Scottish Government's Rail Freight Strategy in March 2016 industry partners e worked together to produce a guide to the benefits of using rail freight called Delivering the Goods. It is aimed at companies and public sector organisations who may be unfamiliar with rail's capabilities but could benefit from using rail freight.

Rail freight offers many benefits, including lower costs, reliability, resilience, environmentally friendly, better for local communities.

## **Control Period 6 2019-2024**

In February 2018 Network Rail published a suite of Strategic Business Plans which are the key inputs into the 2018 Periodic Review (PR18). The Office of Rail and Road in its role as regulator reviews these and matches the SOFAs (funds available-in the case of Scotland £4.85bn) from each government to measure affordability. It issued the draft determination in June 18, and the final determination is due in Oct 18, and heralds the start of CP6 in March 2019.

Of interest are the Route Business Scotland Route Strategic Plan, and the Freight and National Passenger Operators Route Strategic Plan (FNPO, which covers freight, and cross border including sleepers). The plans call for:

- 7.5% freight growth, of which 7.5% must be new business
- overnight freight path to Inverness
- gauge clearance Central Scotland-Inverness for 2.55m x 2.6m
- lineside and other temporary terminals for timber etc.
- maximised train lengths
- a review of Rules of the Route constraints
- interactive maps for gauge, route availability

## **Rail Enhancement and Capital Investment Strategy- RECIS**

Transport Scotland issued the RECIS document on 19 March 2018. Through this Rail Investment Strategy TS is setting out its new approach to planning and funding rail projects. It looks beyond the traditional 5-year railway industry planning cycle and takes a strategic approach to all rail capital investments with a focus on making best use of the opportunities presented by major renewals. This is the much-vaunted pipeline approach, consulted on last year.

Each project will be assessed against the criteria set out above at each stage of its development to optimise the progression of all projects. The criteria broadly align with the investment hierarchy that applies in the Strategic Transport Projects Review.

## **Local Rail Development Fund**

New rail projects pre-pipeline can be promoted by RTPs, Local Authorities and community groups as well as Transport Scotland and ScotRail; and must follow STAG. To assist this a £2m Local Rail Development Fund (LRDF) 2018-19 was also announced allowing local promoters, such as RTPs and others, to bid for assistance with the costs of preparing appraisals and business cases. The Strategic Business Case will give the promoter evidence to proceed or not to an application to enter the rail pipeline process. The continuation of previous ring-fenced funds for freight, network improvement, stations and level crossings will now be subject to evaluation.

## **Grants**

Taking freight off congested roads and moving it by rail or water can have environmental and wider social benefits but it can be more expensive. Freight Facilities Grant (FFG) is therefore available to assist with the extra costs generally associated with moving freight by rail or water by offsetting the capital costs of providing the required freight handling facilities. It is also available to help companies reinvest in existing rail or water freight facilities.

Mode Shift Revenue Support (MSRS) assists companies with the operating costs associated with running rail or inland water freight transport instead of road, where rail or inland waterway transport is more expensive. It is designed to facilitate and support modal shift, generating environmental and wider social benefits from reduced lorry journeys on Britain's roads. The scheme operates in two parts: MSRS (Intermodal) for the purchase of intermodal container movements by rail; and MSRS (Bulk and Waterways) for the purchase of other freight traffic movements by rail and all movements by inland waterway.

The three movements below attract Mode Shift Revenue Support Grants.

### **Current Rail Use**

Raw timber is trucked from the south of Scotland and loaded to rail at Carlisle for Kronospan at Chirk. The trains are operated by Colas who use KFA and KSA wagons which have a higher capacity than the traditional OTA wagon. The train runs daily and has a transit time of 7.5 hours. Suppliers include Euroforest and Scottish Woodlands.

Finished product is moved by rail from Norbord daily, backloading up to 12 Tesco/Stobart curtain-sider swapbodies that are loaded with OSB at Morayhill and trucked to Inverness for lifting onto the train at Needlefield Yard. The train goes to Mossend, but the swaps continue to Daventry where the product is stored for call off. The units work back north with retail product. Transit time Inverness-Mossend is c.5 hours. With Norbord capacity increasing demand for space on the train may well exceed existing supply. The rail operator is Direct Rail Services and handling is by Russells.

BSW Corpach also load some sawn timber to rail. Three loads per day are trucked to Grangemouth in swapbodies for loading onto the Malcolm's train for Daventry. Transit time via the West Highland Line is slow and there is no daily service, hence the road movement.

### **Current Proposals**

There are three schemes under consideration. Plans for lineside loading of timber at Rannoch for BSW Corpach are being discussed. This would see a train 3xweekly moving c.400t from a site just north of Rannoch Station to Ferguson's rail terminal at Corpach, releasing timber that has an otherwise difficult route to market.

HITRANS, with co-funding from FCS, developed the Branchliner logistics plan for reactivating the lineside loading facility at Kinbrace last used in 2004 for moving roundwood and some logs to Inverness. The work concluded by making the economic and environmental case for mode shift and introducing a rail operator to the timber supply company.

Finally, and significantly, there have been discussions around a possible rail terminal at Morayhill, in the light of the Norbord capacity expansion.

### **Survey**

The survey work was conducted in February 2018 in a series of phone interviews covering a range of harvesters, managers, processors and hauliers: Euroforest, John Scott, Egger, Ferguson, Tilhill, James Jones, Scottish Woodlands, Forest Enterprise, Iggesund, Glennons, Ridings, Norbord, BSW, Gordons, Land Energy and Kronospan.

The interviews focussed on catchment, destination and perceived barriers to using rail.

## **Supply**

While logistics and the availability of transport was not an issue (although some mentioned ageing truck driver profiles) supply was seen by all respondents to be a problem. Rail may be able to offer access to hard-to-get-to resource particularly in the Flow Country and on Rannoch Moor and these schemes may attract Mode Shift Revenue Support and Freight Facilities Grant. Some processors also use shipping to move raw timber substantial distances.

## **Finished product**

Processors may move a variety of product to market: sawn timber in whole or part loads to a number of end users or distribution points; fencing and pallet material; biomass pellets; residues for other processors. There are also some inter-plant movements within the same owning group.

## **Interest in using rail**

Of 16 respondents only one said that rail was not really of interest, but admitted that their company might benefit if others source raw timber from further catchments by rail, freeing up more local sources of supply. Two featured as Low on the High Medium Low railability index assessing the chances of rail being used for in or outbound product. Seven companies currently use rail, and others are considering it.

## **Barriers to rail**

Rail is seen as high cost, requiring specialist infrastructure and rolling stock. There is a need to avoid double handling. While it is seen as a 'green' alternative, that desire for greenness is diminished if it costs 20p/tonne more. Rail operators do not adequately market their services or the network; and Network Rail is seen as not facilitating access to the network, being enthusiastic in the first instance but soon introducing barriers and costs. Above all, rail's requirement for long-term commitment and collaboration runs counter to the timber industry's requirement to compete for supply and to shift harvesting activity within short timescales.

Most plants are not rail connected but there are a number that are adjacent or near the railway. There is a need to provide information on rail routes, capability and terminals, investigating both the use of existing and the creation of new facilities.

## **Solutions**

The timber industry, with encouragement from government agencies, needs individual companies to work co-operatively to draw together:

- Sufficiently long-term arrangements from a railhead/terminal or network of railheads/terminals that guarantee the rail operator traffic over a period, justifying investment in the rail network and offering a reasonable and transparent rate of return
- A template for the creation of new railheads/terminals provided by Network Rail and Transport Scotland.
- Timber hubs operated by third parties which provide rail freight services for a number of processors. The Morayhill cluster could service inbound and outbound requirements for Norbord, James Jones, Gordons, and BSW.

- Open data on timber logistics that enables the planning of a Branchliner network, fulfilled for example by dedicated freight trains that provide a merry-go-round service, calling at a different processor or hub on a certain day of the week.
- Aggressive marketing by Network Rail and terminal owners to attract new timber flows
- Joint working with other sectors as happens with Norbord and Tesco/Stobart, such as whisky (grain in, chips/pellets out) where the same equipment can be used for each product.

### **Further activity**

1. HITRANS has begun the process of meeting with rail freight operators to discuss the findings.
2. Further work was planned over the summer to begin the process of cataloguing existing and dormant facilities that could be used for timber and identifying new terminal opportunities (Ayrshire, West Highland and Inverness) that could support cluster working. It was intended to pay a number of site visits along with Network Rail staff. This did not take place due to diary difficulties, but it is intended to commence this over winter 18-19.
3. This piece of work and a presentation to the Timber Transport Conference in Inverness on 23 March 2018 has resulted in two live schemes to move timber from the North East and from the West Highlands.

### **RISK REGISTER**

#### RTS Delivery

Impact – Positive. Efficient freight movement; developing the economy

#### Policy

Impact – Positive. Aligned with Scottish Government HLOS

#### Financial

Impact – Nil

#### Equality

Impact – Neutral

### **Recommendations**

1. Members and Advisors are asked to approve the report

**Report by:** Frank Roach  
**Designation:** Partnership Manager  
**Date:** 6th November 2018

