



**Submission by the Chartered Institute of Logistics and Transport
to the Transport Scotland
Rail Freight Strategy Consultation**

The Chartered Institute of Logistics and Transport (“the Institute”) is a professional institution embracing all transport modes whose members are engaged in the provision of transport services for both passengers and freight, the management of logistics and the supply chain, transport planning, government and administration. Our principal concern is that transport policies and procedures should be effective and efficient, based on objective analysis of the issues and practical experience, and that good practice should be widely disseminated and adopted. The Institute has a number of specialist forums, a nationwide structure of locally based groups and a Public Policies Committee which considers the broad canvass of transport policy. This submission has been prepared by the Institute’s Rail Freight Forum and Scottish Committee.

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

- 1.1 The Chartered Institute of Logistics and Transport (CILT) appreciates the opportunity to comment and has drawn upon the knowledge, experience and expertise of its Rail Freight Forum and its Scottish National Committee in preparing this response. We commend the Scottish Government for commissioning this work, involving significant stakeholders in an extensive engagement, and consulting widely on the future of rail freight in Scotland.
- 1.2 We consider that the vision for rail freight in Scotland is, in general, sound. It combines analysis of the present situation with policy objectives and aspirations for economic growth, stronger and safer communities, tackling climate change and pollution and for 'internationalisation'. We welcome the fact that the proposals and objectives for railfreight are aligned with the broader Government Economic Strategy - this brings a degree of consistency which is sometimes absent from other sectors of the economy. Our one reservation is that the vision specifically highlights small and medium sized businesses, whereas most major freight transport users are, and are likely to remain, big companies and this is certainly true of most actual and potential rail users. SME's are certainly to be encouraged, but the big wins are to be had from working with, and encouraging, big businesses to make more use of rail. In the Scottish context, this is likely to be companies such as Diageo, A G Barr, Highland Spring, Forestry Commission Scotland and the timber/fibre board manufacturers.

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

- 2.1 We are broadly supportive of the analysis in Chapter 4, albeit with some qualifications. It is clear that coal movements in Scotland will diminish close to zero, leaving perhaps a few southbound movements from Ayrshire but little else. This, combined with the mothballing/closure of Dalzell, means that bulk freight in Scotland will, from mid 2016, consist of little more than six movements a day - two trains a day of petroleum products from Grangemouth, two trains of cement from Dunbar, a daily train of alumina to Fort William and a daily train of refuse from Edinburgh. In each case there are corresponding return empty trains. There are also periodic movements of china clay to Irvine and of steel pipes for North Sea use to Dyce and Caithness. It is important to recognise that this catastrophic fall in rail volumes is not due to any failings on the part of the railfreight industry - quite the reverse - but to the progressive de-industrialisation of Scotland, a pattern common to other areas of the UK. Nevertheless, as the document rightly states, this makes it imperative that new flows are found if the rail industry is to continue to play a significant role in the Scottish economy - we firmly believe they can, and it will.
- 2.2 That said, it is important that the remaining bulk product manufacturers in Scotland are explicitly included in the Scottish strategy - good loading facilities exist at the plants, their goods are eminently suited to rail and not all the potential traffic is on rail. For example, the use of intermodal equipment (tank containers) has yet to be exploited by the cement or petroleum industries but could offer scope for viable new rail flows. One specific opportunity is the delivery of aviation fuel to airports - Prestwick is already served by rail and Aberdeen, together with Inverness, would seem to offer some potential, being located close to the railway and, in the former case, with sidings available at nearby Dyce. Similarly, although inbound alumina moves by rail to Fort William, the finished product of aluminium blocks leaves the plant by road, although rail has been used successfully in the past. There is also a proportion of offshore-related movements to/from the Aberdeen and Montrose areas that offer potential for rail movement.
- 2.3 Turning to non-bulk markets, intermodal movement of retail and consumer goods is clearly a major opportunity. The current movements up and down the West Coast Main Line are not insignificant, with five domestic and four port intermodal trains a day, and Scottish logistics operators J G Russell and W H Malcolm have led the development of domestic intermodal services, for the retail sector in particular, and are much to be commended for their enterprise. There are, however, many more lorries on the M74 that offer potential for modal transfer. The consultation document recognises that the mileage threshold at which rail becomes competitive is a key issue but fails to spell out the ways this can be reduced. Bigger trains and other measures to reduce unit rail costs are a factor, but much more important is the location of principal National and Regional Distribution Centres (NDC's and RDC's) at rail connected sites. As Tesco have demonstrated at Daventry, where an NDC or RDC has, or is adjacent to, a railhead, the cost of getting a unit onto rail decreases substantially (probably from over £80 to under £20 for each and every load) and the threshold distance falls dramatically. Hence, Tesco use rail on a daily basis from

Daventry to Cardiff (135 road miles) and East London (90 miles), in both cases well below the oft-quoted 250/300 mile threshold.

- 2.4 It follows that the most effective way of reducing rail competitive distances is to implement a land use planning policy that places the major NDC's and RDC's at rail-connected sites. There is a developing range of such NDC sites in the Midlands, where around 20m square feet of rail-connected warehousing is likely to come on stream over the next 5 years or so (the Secretary of State gave approval for a major facility near East Midlands Airport in early January). Scotland could considerably encourage modal shift by progressively relocating the major Central Belt retailer RDC's to rail-connected sites such as Mossend. The savings to be had by customers from such a move are likely to mean that a significant proportion of lorries on the M74 could transfer to rail. Similarly, on the outbound leg from the RDC to stores, rail would be much more competitive and would offer an attractive solution for many of the longer distance deliveries within Scotland.
- 2.5 The document correctly identifies food and drink as a major area with considerable scope for rail. We would counsel, however, that bigger, quicker wins are likely to be had with the large volumes of heavy ambient products such as bottled water, canned goods and whisky than with the much smaller and diverse movements of fish and meat. The latter commodities are unlikely to be able to support new services in their own right and are probably best tackled by backloading refrigerated ('reefer') swap bodies that have delivered retail goods to stores in the relevant areas. Conversely, the volume of heavy ambient products moving within and out of Scotland is considerable - the plans for a Highland Spring rail loading facility at Blackford are warmly welcomed and are an exemplar for other similar movements. Loading swap bodies onto wagons in a siding is a highly efficient way of reducing HGV mileage so long as there is a viable volume from the location in question. It is not necessary for all the loads to be for one destination since the train can run to Central Belt intermodal hubs such as Coatbridge and Mossend to connect with a range of southbound trunk services.
- 2.6 Turning to the specific and crucial case of whisky, the HiTrans study confirmed the size and range of opportunities for rail, from inbound malting barley through bulk spirit to casks, empty bottles and finished product, plus by-products such as brewers grains. Each of these has merit, but the biggest single and most concentrated flow is bulk spirit from Speyside to the Central Belt - the near-continuous stream of bulk tankers along the A9 shows just how big a flow this is. 'Lifting the Spirit' demonstrated that this operationally feasible but that it requires full buy-in from customers for it to be viable - the switch to rail is a strategic decision, not a tactical option to duck in and out of. There is no question that the volume exists for a viable daily service, but the major players in the whisky industry need to adopt rail as the prime mode - the commercial risk, even for big railfreight operators is too great otherwise. Other parts of the whisky supply chain also offer significant scope to reduce the number of HGV's on Scotland's roads, particularly around the main centres in Speyside, Leven in Fife, Cambus/Blackgrange and Girvan, several of which are already rail-connected or adjacent to rail lines, making modal transfer relatively

straightforward. This also applies to some of the major grain silos (e.g. in Northumberland) and malting plants, notably Roseisle. Given the degree of concentration of ownership in the whisky industry, one of the main actions the Scottish Government could take would be to strongly encourage the big players such as Diageo and Pernod Ricard to adopt rail as quickly as possible and support this modal switch by investment in terminals, routes and - perhaps - wagons/containers, although these could be provided by the operator if the volume was committed.

- 2.7 The document is also correct in identifying forest products as a major potential source of rail traffic. As with whisky, opportunities exist along the supply chain, albeit the chain is shorter in this case. Firstly, there is the movement of round timber out of the forest areas, either by means of lineside loading on very lightly trafficked lines such as the Far North, or via a road shuttle to a suitable local railhead. In both cases, some investment is likely to be required to permit a viable rail operation - essentially to allow a big train to operate. Trials have taken place with small self-powered units, but the fundamental economics are weak and the best option is to run as big a train as possible behind a powerful modern locomotive. Similarly, investment is required at the main destinations for round timber - the big board plants and sawmills, most of which are located alongside the railway, e.g. Dalcross, Cowie, Lockerbie and Barony. The cost of connecting these plants may not be insignificant, but the volumes moving to them mean that the investment can be spread over a large tonnage and, in grant terms, a high number of sensitive lorry miles. Crucially, once such plants are rail-connected the sidings can be used to despatch outbound products to distant markets - considerable volumes move south to English markets, notably to forest product hubs such as Tilbury. An attractive potential solution - which eliminates all HGV mileage within Scotland - is for product to be loaded direct into curtain-sided swap bodies on rail wagons at the board plant or sawmill and taken by a feeder service to the intermodal hubs at Coatbridge/Mossend/Grangemouth (or to Carlisle) for transfer to onward trunk services.
- 2.8 Traditionally related to the forest products industry is a market that the document fails to mention - the paper industry. Whilst much reduced due to plant closures, there are still a number of major paper mills in Scotland, receiving and despatching significant tonnages of product. Inbound flows of waste paper, pulp and china clay generate outbound flows of finished paper from mills in Fife and Ayrshire, to name but two - Caledonian Paper at Irvine has excellent rail facilities and paper has been despatched by rail in the past, but currently only sees inbound china clay. Substantial tonnages of paper move south each year from the Scottish mills and it is a market that the Scottish Government should include in its strategy.
- 2.9 Similarly, although much reduced, the chemicals industry continues to generate significant tonnages of freight at locations such as Grangemouth and Dalry. The document overlooks this potential - much of which is in tank and/or bulk containers and thus eminently suitable for rail movement. Sidings often exist at these locations and, whilst they may need reinvestment, could allow a proportion of such

movements to be removed from Scottish roads. We suggest that chemicals, too, should be added to the strategy.

- 2.10 We support the proposed use of rail for the movement of construction materials, which are a major growth sector south of the Border and have already overtaken coal as the UK's leading bulk commodity. As well as the cement flows from Dunbar mentioned above, we understand that Tarmac have three quarries (two in the Central Belt and one near Dumfries) that they may consider rail-connecting in the future - the company is currently connecting two quarries in North Yorkshire. This is likely to have particular relevance with major construction schemes, such as the A9 upgrade, which could act as catalyst to the long term of movement of aggregates by rail. By their very nature, flows to construction projects are ephemeral and it is important to secure permanent business on the back of a temporary requirement.
- 2.11 Similarly, we support the use of rail for 'low bulk' products - pallets and packages. As the document identifies, as well as using van space on Caledonian Sleeper services, Scotland has an interesting opportunity emerging with the use of HST's on long distance internal flows - these trains have shown themselves to be suitable for the carriage of low volume/high value goods from both Cornwall (fish) and Nottingham (various products) to London. Airfreight to/from airports would also fall into this category. We would, however, counsel that the tonnages involved are not large and will not make a major impact on road volumes - it is an interesting and useful niche market, but no more.
- 2.12 We think it best to address International, Ports and the Channel Tunnel together as it is important to understand the overall flow of non-bulk goods into and out of Scotland. There is very little direct importation of consumer goods into Scotland as the market is too small and almost all goods purchased in Scotland are routed via NDC's south of the Border. Conversely, a lot of Scotland's production - notably whisky - is exported direct and there are, of course, also many flows to UK destinations. Taking each movement in isolation, this pattern would result in a significant proportion of domestic UK units running empty back from Scotland and export units - be they Deep Sea ISO containers or Short Sea European containers or trailers - moving empty to Scotland.
- 2.13 Clearly, this would be wasteful and it makes sense to 'cabotage' international units wherever possible by loading them northbound with goods for sale in Scottish stores from NDC's in the South/Midlands (or Teesport), where they are mostly emptied on the import leg. Once discharged at a Scottish RDC, the unit is available for loading with export whisky or other goods. It follows that the optimum transport and logistics strategy for Scotland needs to reflect the overall trade and equipment cycles and not simply focus on Scottish exports. Sadly, the Government-supported shipping services from Scottish ports to the Continent cannot cater for the northbound consumer goods flow and necessarily carry a lot of fresh air in empty containers/trailers when returning to Scotland. It seems to us that such support might be better directed to encouraging rail services on the Continent (via the Channel Tunnel)- Midlands - Scotland axis, which would serve the full cycle of

imports into the UK, cabotage to Scotland and exports to the Continent, with similar Felixstowe/Southampton - Midlands - Scotland routes for Deep Sea imports/exports. A similar logic applies to a service to/from Teesport, where a significant 'port centric' distribution hub has developed, with imported consumer goods heading north to Scotland and Scottish exports heading back to Teesport for shipment.

- 2.14 None of the above is intended to 'do down' Scottish ports, but simply reflects the reality of international transport and logistics and how Scotland fits into European and global supply chains. Rail has good port connections at Grangemouth, in particular, and can form part of a sea/rail/road multimodal operation as and when appropriate.
- 2.15 It is worth noting that the Channel Tunnel route was developing well until mid 2015 when the tide of migrants attempting to jump on trains caused major service disruption. New fencing has now been erected and CILT's view is that it would be better if trains did not stop at all in the Calais area, but received security checks at inland terminals such as Dourges, with the Channel Tunnel locomotives (Class 92's) working through to such locations. There are some technical issues to overcome but these are not insuperable and we are supporting efforts to achieve this aim.

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

- 3.1 Intermodal, both Anglo-Scottish and internal, with the former also incorporating European and Deep Sea import/export movements and associated northbound domestic cabotage.
- 3.2 Whisky and bottled water - with the former including bulk spirit, cask and bottled whisky, plus inbound raw material flows and by-products.
- 3.3 Forest Products - round and sawn timber, plus board and paper.

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

- 4.1 Lack of commitment by major customers, allied to insufficient marketing and product development by FOC's
- 4.2 The lack of modern terminals suitable for long trains and with good road access. For example, there are no intermodal terminals between Grangemouth & Aberdeen, which makes increased volumes of freight from the Fife/Dundee area more difficult to achieve.
- 4.3 Inadequate infrastructure on key routes to enable large, efficient freight trains to operate - better paths, longer trains and gauge clearance are all necessary to enable railfreight to make the maximum contribution to the Scottish economy, with the Highland Main Line as a priority: completion of the A9 upgrade and other major road enhancements will mean that railfreight is, comparatively, less attractive.

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

- 5.1 We believe that the key roles of the Scottish Government are included in the document, but consider that the order of priority should be:
- 5.2 Strategic Planning - as much in regard to land use planning as to the rail industry. Probably the biggest single action the Scottish Government could take to grow railfreight in Scotland would be to cause all major distribution centres to relocate to rail-connected sites over the next ten years. Clearly this cannot happen overnight but, as leases expire and current warehouses become obsolete or inadequate, businesses (especially the major retailers) should be encouraged to relocate to rail-linked sites. The amount of cost this would take out of their supply chains would give a powerful boost to railfreight volumes, both within Scotland and on Anglo-Scottish routes. We believe such a policy should be included in planning frameworks and guidance at the earliest opportunity.
- 5.3 Investment - in Scotland's rail infrastructure, to make it more suitable for 21st century freight operations, and in terminal facilities. The latter includes both major industrial locations such as board plants and whisky production units and intermodal terminals to serve the wider market in a region. Freight grants are an important component of terminal enhancement and expansion of this support is applauded. In regard to rail infrastructure, the Scottish Strategic Freight Network is singularly important to help deliver:
- electrification with subsequent reduced costs and improved environmental benefits
 - capacity enhancements to prevent conflict with expanding passenger services
 - gauge cleared main and diversionary routes
 - network availability 24 hours per day, 6.5/7 days per week. The lack of weekend access is a real deterrent for logisticians choosing rail haulage to deliver supermarket and consumer goods. We live in a 7 day, 24 hour retail environment - the logistics chain needs to support this.
 - resilience, as recent disruptions to the WCML and Highland Main Line from extreme weather have demonstrated - the former is closed for at least a month because of one bridge at Lamington. Unlike passenger customers, freight cannot self-load onto a substitute road vehicle to avoid a line closure and new customers, in particular, will be wary about committing to a mode that has demonstrated recent vulnerability. Suitable diversionary routes are clearly essential.
- 5.4 Promotion - improving general awareness about railfreight is helpful, but the key requirement is to encourage and incentivise the major players in the Scottish economy to transfer a significant proportion of their freight from road to rail, notably Diageo and the big bottled water, timber and board companies. A far bigger 'bang for the buck' will be had by working closely with large businesses than a broadcast awareness campaign across sectors. We also suggest it would be helpful to publish a range of case studies and market studies. For example, the 'Lifting the

Spirit ' trial seems to have left little legacy - we have seen no "lessons learned". Similarly, the timber studies generally seem rather vague - we recognise that in a fiercely competitive sector, both modally and between FOC's, some commercial confidentiality is understandable but the current silence tends to make rail freight initiatives in Scotland even less visible.

- 5.5 Innovation and pilot schemes - pilot schemes and trials are important and can form a crucial step in building knowledge and confidence in a world where FOC's exist on low margins and cannot take the commercial risk of running trains without the assurance of revenue to cover their costs. In this regard, we are concerned about the long wait for the Innovation Fund to kick-in - given the dramatic collapse in traditional traffic there is both an immediate need and an opportunity for innovation, e.g. to re-use capacity, redevelop sites and retain jobs, and it should not be delayed until 2019.
- 5.6 Turning to technical innovation, an information and booking portal would help smaller players, in particular, and support to encourage Logistics Service providers can be important in increasing the growth of rail traffic. To encourage this, use can be made of services developed for the European Union Research Project " Intelligent Cargo in Efficient and Sustainable Global Logistics Operations" (iCargo) that finished in 2015. This project was co-funded by the 7th Framework Programme of the European Union. The iCargo Green Corridor pilot aimed to integrate different transport modes with the goal of increasing the utilisation of vessels and freight trains by making the overall logistics solution easily accessible to Freight Service Integrators and Logistic Service providers. Details of the project are at <http://i-cargo.eu/about-icargo-project>
- 5.7 Facilitation and co-ordination - across departments within the Government, with Network Rail and Scotrail and between road and rail freight operators. This could also extend to port and shipping operators.

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

- 6.1 We support the views expressed in the document. The regulatory and policy environment needs to provide strong encouragement for the expansion of railfreight, including long term stability of access charges and conditions. The aim should be that these are no more significant or onerous than road taxation and fuel duty are to road hauliers and their customers.

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

- 7.1 The setting of target outcomes and timescales is important. We believe these should cover:
 - growth
 - promotion
 - location of major distribution centres

- capacity
- new terminals
- gauge enhancement
- investment

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

8.1 We think that many of the 18 actions listed are rather general in nature, along the lines of 'working together' and 'supporting other parties'. We would expect the Scottish Government to adopt such an approach in any event and would like to see the Government commit to a smaller number of specific actions linked to timescales and the target outcomes listed above. That said, we do acknowledge and support the actions listed in the document regarding investment in capacity and capability, guidance to the ORR and Ministerial specifications.

9) Any other views?

9.1 Because of distance, both within and to/from the country, Scotland is uniquely placed within the UK to make more and better use of railfreight to improve the economy and the environment and to support sustainable development. We believe that the approach and objectives outlined in the document show that Scotland is starting to address the opportunities railfreight can offer in a constructive and progressive fashion. We consider that it is imperative that the initiatives outlined above are taken forward to ensure that the objectives are delivered for the benefit of Scottish business and the Scottish people in the years to come.

9.2 The CILT's Rail Freight Forum, working in conjunction with the Institute's Scottish National Committee, is well placed to advise on issues affecting rail freight services in Scotland and would be very happy to help and support the Scottish Government in developing and implementing the plans for growing railfreight in Scotland. Our membership accurately reflects the views and aspirations of today's transport planners and logisticians and, as a professional Institute as opposed to an industry lobby group, we believe we can offer objective advice untainted by the profit motive.

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