



BRIEFING ON SCOTTISH BUDGET:

The case for retention of Freight Facilities Grants

Monday 31st January 2011

Joint briefing from the Rail Freight Group and Transform Scotland

1 Summary

- 1.1 The Scottish Government's Draft Budget Statement indicated that the Freight Facilities Grants scheme – which encourages mode shift from road haulage to rail freight and sea transport – is to be scrapped in its entirety (other than for projects already awarded grant and where construction is already underway).
- 1.2 The availability of FFG capital grant has been critical to the vast majority of the switch from road to rail in the non-coal market in Scotland in recent decades; it has also secured significant mode switch from road to sea, e.g. for timber on the west coast. FFG has allowed 33m lorry miles to be taken off Scottish roads annually since 1997, and supports economic development through providing a safe, sustainable and resilient alternative to road haulage.
- 1.3 Scrapping FFG appears to be wholly inconsistent with the Scottish Government's policy objectives for climate change, sustainable economic development, environmental protection and road safety.
- 1.4 Both Transform Scotland (the sustainable transport alliance) and the Rail Freight Group (the representative body for rail freight users and suppliers throughout GB) believe that FFG should be retained, with an initial budget of perhaps £5m pa.

2 The benefits of Freight Facilities Grants

- 2.1 The FFG scheme offers grant aid up to 75% of the capital cost of facilities required to secure mode switch from road to rail or sea. FFG has been in existence since 1974, and since 1997 alone 37 awards, totalling £68.9m (including funding of £10.9m from DfT), have been made to projects in Scotland – taking over 33m lorry miles off Scottish roads annually.

Who would benefit?

Highland Spring (Blackford):

Highland Spring's finished product generates some 10,000 lorry loads of bottled water annually on the A9, and a substantial proportion of the company's market is in England, involving distances ideally suited to rail haulage. However, a new signalled siding connection is required to link into the adjacent Aberdeen-Perth-Glasgow main line, and the capital costs of providing a rail connection and constructing a railhead on site need grant aid to make the project viable. A rail freight facility would take lorries off the streets of Blackford, as well as hundreds of miles of motorway and trunk road en route to English markets.

Ailsa Horizons (Girvan):

This is a potentially trailblazing project, as the first community-owned (social enterprise) rail freight facility in Britain. The railhead would be sited adjacent to William Grant's large grain distillery, and key planned rail traffics include grain from Yorkshire to the distillery and wood pellet from a planned new plant in a nearby industrial estate to key customers in the south. Substantial lorry flows would be removed from the A77 and A76, and the new intermodal rail facility could help to attract new industry to the area.

Russell (North Highlands):

The road-rail logistics operator, Russell, is developing plans for loading timber to rail at various lineside locations, including Forsinard, on the Far North Line from Inverness to Caithness. This is dependent on external funding such as FFG, in order to take significant numbers of lorries off local roads and the A9.

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- 2.2 The methodology behind FFG is based principally on congestion benefits from taking heavy lorries off public roads, but also on other public benefits such as climate change, air pollution, noise and accidents.
- 2.3 In part due to the relatively lengthy process involved in preparing and submitting FFG applications, the FFG budget of around £7m annually has been underspent since 2001 (when the Rosyth ferry terminal was funded). The average annual spend since then has been around £2.5m, across rail and water schemes, and this has allowed 17m lorry miles annually to be taken off Scottish roads.

3 The impact of scrapping the FFG scheme

- 3.1 Loss of FFG will seriously impact on rail freight's ability to capture more traffic from road and may well lead to existing rail traffics reverting to road haulage. A number of road-to-rail schemes have been developing over recent years and will not happen if FFG is scrapped. These would take trucks off the A77, A82, A9 and other roads, and would be popular with car drivers as well as the communities through which these roads pass.
- 3.2 The companies involved have spent significant sums of money investigating rail freight feasibility, and that would now become abortive expenditure. It has taken some time for such companies to get to the point of seriously considering rail, and scrapping FFG is likely to result in them not contemplating rail again for many years.

4 Conclusions

- 4.1 In light of the successful track record of FFG over the last 36 years – and the role played by FFG-assisted mode shift in meeting key policy objectives – Transform Scotland and the Rail Freight Group urge that the scheme be retained, with an initial budget of perhaps £5m p.a.
- 4.2 The opportunity should be taken to relaunch the scheme on a wider front, with a concerted promotional drive to Scottish manufacturers, processors and logistics companies, in order to achieve even higher levels of modal shift.
- 4.3 In the longer term the scheme should be reviewed to ascertain whether administrative processes can be improved to encourage further increased take-up by Scottish industry.

5 Contacts

- David Spaven, Scottish Representative, Rail Freight Group on 0131 221 9019 or 07917 877399.
- Colin Howden, Director, Transform Scotland on 07956 394121.

Who would benefit?

BSW Sawmills (Corpach):

An intermodal facility at this new sawmill site near Fort William would allow rail to handle inbound timber, outbound sawn timber for southern markets, and general cargo for the West Highlands, taking several thousand lorry loads a year off sensitive roads such as the A82 and A830.

Diageo (Leven):

In the 13th January debate on FFG in the Scottish Parliament, Chris Harvie MSP drew attention to the interest of the drinks company Diageo in developing a railhead near their Leven bottling and packaging plant. A rail facility would enable thousands of lorry loads of spirits annually to be taken off the Forth Road Bridge, M90, A92, A911 and other roads across Central Scotland and beyond. Re-opening the currently mothballed railway to Leven would also open up possibilities of rail freight access to the Fife Energy Park and reinstatement of passenger trains from Edinburgh and Kirkcaldy to Leven.

Chapel / Newmains (South Lanarkshire):

This planned railhead lies within a few miles of several potential opencast coal sites, and with rail offering the scope to connect to any of the coal-fired power stations in the UK, road-to-rail loading facilities at Chapel (near Newmains) would remove tens of thousands of lorry journeys annually from trunk roads in South Lanarkshire and well beyond.

Elsewhere in Scotland:

Many other areas of Scotland could benefit from Freight Facilities Grants to get heavy lorries off the roads and on to rail or sea transport. Examples of locations where grant aid could turn rail potential into reality are:

- Alloa (whisky)
- Bathgate (national distribution)
- Dundee (one of the largest British cities with no rail freight facilities)
- Elgin / Keith (whisky)
- Borders (waste and timber).