



BRIEFING:

The case for retention of Freight Facilities Grants

Parliamentary Debate: Cathy Jamieson MSP's motion on Freight Facilities Grants –
Thursday 13th January 2011, 17.00

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, eg 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 Great Britain) believe that FFG should be retained, with an initial budget of perhaps £5m pa.

2 Background

- 2.1 Rail freight is substantially more energy-efficient than road haulage. Recent research¹ by Professor Alan McKinnon (the logistics specialist at Heriot-Watt University) has, for example, shown that in the case of the chemicals industry rail freight produces around one third of the carbon emissions per tonne-kilometre of road haulage, even where local road collection and delivery is required in addition to the rail trunk haul. Rail freight also offers significant advantages over road haulage with regard to most air pollutants, and is a considerably safer form of transport in terms of deaths and injuries caused.
- 2.2 A related point is that rail freight (both through its greater energy efficiency and its ability to use electrified railways) offers considerably greater resilience than road haulage in the face of 'Peak Oil', the anticipated peaking of global oil production and its inexorable decline thereafter. UK oil production peaked in 1999, and the country has been a net importer of oil since 2004². Fortunately the Scottish Government now has a strategic rail electrification programme.
- 2.3 Scrapping FFG appears to be wholly inconsistent with policy objectives for climate change, sustainable economic development, environmental protection and road safety. The Scottish Government web site at the time of the Draft Budget Statement said:

¹ Professor Alan McKinnon and Dr Maja Piecyk, Heriot-Watt University (2010). *Measuring and Managing CO2 Emissions of European Chemical Transport*.

² <http://europe.theoil Drum.com/node/7057>

“As stated in the Freight Action plan, our vision is for Scotland to be a place where the movement of freight through the entire supply chain is efficient and sustainable...To achieve this vision, we work in partnership with all key players in the public and private sectors...to minimise the adverse impact of freight movements on the Environment in particular through the reduction in emissions and noise...We are doing this by pursuing activities that...promote modal shift to rail and shipping...”

- 2.4 The Draft Report on Proposals and Policies refers to "further incentives to encourage modal shift of freight to rail or water where appropriate" and indicates a financial cost of £180m in the period 2011 - 22. It is not clear whether or how this might be intended to be a replacement for FFG.
- 2.5 An additional grant which has been provided is Mode Shift Revenue Support, a revenue grant paid to help equate road and rail costs on particular flows. A small provision is made in the Draft Budget for the MSRS revenue grant, and it is essential this be maintained if existing freight on rail is not to be lost to road.

3 The benefits of Freight Facilities Grants

- 3.1 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 £68.9 million (including funding of £10.9 million from DfT), have been made to projects in Scotland – taking over 33m lorry miles off Scottish roads annually.
- 3.2 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.
- 3.3 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.

4 The impact of scrapping the FFG scheme

- 4.1 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 – including those at Blackford (Highland Spring), Girvan (adjacent to Wm Grant's distillery), Barrhill (timber), and Corpach (BSW Sawmills) – 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.
- 4.2 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.

5 Conclusions

- 5.1 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 pa.
- 5.2 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.
- 5.3 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.

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