



# DELIVERING THE GOODS

Scotland's rail freight strategy



**TRANSPORT  
SCOTLAND**  
CÒMHDHAIL ALBA

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**In 1840, 'railway time' was the first recorded occasion when different local times in the UK were synchronised and a single standard time applied.**

Almost two centuries later, time is of the essence for the Scottish rail freight industry. That is the loud and clear message that I have taken from the many responses we have received to our consultation on a rail freight strategy for Scotland.

Whilst changing economics of power generation and environmental legislation were predicted to reduce the production and movement of coal by rail, the rapidity and severity in the decline is clearly beyond expectations. During the consultation period, we also received the devastating news about the Dalzell and Clydebridge steel plants, which was not just a body blow for the Scottish steel industry and our local communities, but also the rail freight industry, which moved materials to the Dalzell plant for production.

The reality is that we need to work together to place our rail freight industry onto a sustainable footing. That is the immediate to medium term focus of this rail freight strategy. We will work alongside the industry to identify new markets and areas for growth.

We will galvanise efforts to overcome the technical, cultural and regulatory challenges towards a 'can do' approach, with the needs of the rail freight customers at its heart. We will invest, along with the industry, in the whole system solutions and innovations which can meet the demands of the modern market, for the benefit of Scotland's economy, its environment and its communities.

Back onto the subject of time, now is a time for action. Not Scottish Government action, not rail industry action, but joint action. By delivering this rail freight strategy in partnership, I am confident that we can create the conditions for a sustainable, high quality, highly efficient rail freight industry that Scotland needs, wants and deserves.

**Derek Mackay MSP**  
Minister for Transport & Islands  
Scottish Government



# 2. RAIL FREIGHT STRATEGY FRAMEWORK

The purpose of the Scottish Government and its partners is to make Scotland a more successful country, with opportunities for all to flourish, **through increasing sustainable economic growth**. Scotland's Economic Strategy focuses on the two mutually supportive goals of **increasing competitiveness** and **tackling inequality** and our approach to delivering this is underpinned by four priorities for sustainable growth: investment, innovation, inclusive growth and internationalisation.



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## PURPOSE






### National Transport Strategy

A safe, efficient, effective and sustainable transport system, for both passengers and freight, is a key enabler of sustainable economic growth. It supports businesses in achieving their local, national and international objectives and improves the lives of individuals and communities by connecting them with their economic future. The strategy will be delivered through 3 Strategic Outcomes: **improved journey times and connections; reduced emissions; and improved quality, accessibility and affordability.**

### Our vision for rail freight

The Scottish Government's vision is for a competitive, sustainable rail freight sector playing an increasing role in Scotland's economic growth by providing a **safer, greener and more efficient way of transporting products and materials.**

### Realising the Vision – four levers for success

-  **Innovation**  
New, efficient ways of delivering.
-  **Facilitation**  
Building strong, lasting partnerships.
-  **Promotion**  
Showcasing the benefits of using rail freight.
-  **Investment**  
Maximum return for whole system investment.

### Critical success factors

- A sustainable rail freight industry, with identifiable growth potential over time.
- Creating increased opportunities for Scottish exports.
- Longer, faster, greener freight trains.
- A high performing, resilient, strategic freight network for Scotland, fully aligned with cross-border flows.
- Strong partnerships across the industry, focussing on doing the right things for customers.
- High value returns on public and private investments.

# 3. RAIL FREIGHT

## DELIVERING THE GOODS FOR SCOTLAND

When asked about railways, our thoughts almost immediately turn to the commuter heading into work, the businesswoman travelling to an important meeting, the couple heading to London for a romantic weekend or the family heading 'doon the watter' for a day on Troon beach.

But go to your local supermarket and many of the everyday essentials you buy will have travelled at some point on a train. Added to that, the new jacket, the shiny new car, the diesel for that car, the concrete slabs for the patio, the wee nip of whisky at New Year to go with the shortbread, the bottle of water: all may have at some point been loaded onto a freight train.

While largely unseen by most, rail freight is all around us and it plays a critical role in Scotland's economy. A recent report jointly commissioned by the Scottish Government and the Rail Delivery Group<sup>1</sup> highlighted rail contributing up to £670m in Gross Value Added annually to Scotland's economy, supporting up to 13,000 jobs and facilitating up to a further £650m in wider economic benefits. The rail freight sector is a key component of these figures.

The Scottish Government has for some time recognised the value of the sector and that is why we have made record levels of investment in Scotland's railways - over £6bn since 2007 with a further £5bn earmarked until 2019.



Rail freight is all around us and it plays a critical role in Scotland's economy



Under **Scotland's Economic Strategy**<sup>2</sup>, the Scottish Government's overall purpose is to increase sustainable economic growth. **A safe, efficient, effective and sustainable transport system, for both passengers and freight, remains one of the key enablers of such sustainable economic growth.** It supports businesses in achieving their local, national and international objectives and improves the lives of individuals and communities by connecting them with their economic future.

The **National Planning Framework 3** is Scotland's statutory long term spatial development strategy. It is the spatial expression of our Economic Strategy and identifies key ambitions and opportunities for Scotland, including through our rail freight networks.

The **National Transport Strategy** (NTS) provides the framework for enhancing our transport system, in response to the main transport challenges that Scotland faces, which in turn contributes to improvement in our economic, environmental and social performance. In particular, the three Key Strategic Outcomes continue to be used as the guiding principles at national, regional and local level when developing strategy and prioritising resources.

The **three Key Strategic Outcomes** are:

- Improved journey times and connections between our cities and towns and our global markets to tackle congestion and lack of integration and connections in transport.
- Reduced emissions to tackle climate change, air quality and health improvement.
- Improved quality, accessibility and affordability of transport, to give choice of public transport, better quality services and value for money, or alternative to car.

The NTS was first published in 2006 and recently refreshed, and the above outcomes remain valid. However the challenges ahead and the Government's changed ways of working warrant a deeper look in the form of a recommended fuller, collaborative review of the NTS in the next Scottish Parliamentary term.

### Overarching National Freight Strategy

Embedded within the NTS is the Freight Strategy, covering all modes, which ensures that the overall priorities for freight transport infrastructure investment are aligned. The objectives for the Freight Strategy are:

- Enhance Scotland's competitiveness.
- Support the development of the freight industry in Scotland.

- Maintain and improve the accessibility of rural and remote areas.
- Minimise the adverse impact of freight movements on the environment in particular through the reduction in emissions and noise.
- Ensure freight transport policy integration.

### Rail Freight Strategy

This Rail Freight Strategy is underpinned by the vision and outcomes within the NTS. It shares the same objectives as the National Freight Strategy. However, it is distinct in two main ways:

- It seeks to address the pressing market challenges faced by the rail freight industry due to the decline of the dominant, traditional markets of coal and steel.
- It reflects the regulated nature of the industry and the opportunities and challenges of a fixed network with defined rights of use and associated charging mechanisms.

### Role of rail freight - economic growth

A vibrant rail freight sector can play **a vital role in supporting Scotland's economic strategy through increased exports overseas and the efficient movement of goods across Scotland and the UK.** It can help businesses of all sizes to grow existing markets and explore new ones.

<sup>1</sup> [www.raildeliverygroup.com/files/Publications/2016-03\\_contribution\\_of\\_rail\\_to\\_scottish\\_economy.pdf](http://www.raildeliverygroup.com/files/Publications/2016-03_contribution_of_rail_to_scottish_economy.pdf)

<sup>2</sup> 'National Transport Strategy', Transport Scotland, 21st January 2016

<sup>3</sup> [www.gov.scot/Topics/Economy/EconomicStrategy](http://www.gov.scot/Topics/Economy/EconomicStrategy)



76

Each freight train removes up to 76 heavy goods vehicles from the road.



76%

Per tonne of cargo, rail freight produces 76% less carbon dioxide than road freight.

### Role of rail freight - supporting stronger, safer communities

People and communities rely on rail freight. It is part of our everyday lives delivering mail, parcels, goods and consumables for shops and supermarkets, and an efficient rail freight industry can play a part in keeping consumer prices lower. Rail freight can also improve safety and reduce congestion, with each freight train removing up to **76 heavy goods<sup>4</sup>** vehicles from the roads.

### Role of rail freight - tackling climate change

Per tonne of cargo rail freight produces **76% less carbon dioxide<sup>5</sup>** than road freight. Rail freight emits less than one tenth of the nitrogen oxide and fine particulates of road haulage per tonne. A shift from road freight to rail, where this is viable, can help the Scottish Government meet its commitment to tackling climate change. It will also align with EU targets for modal shift from road to rail (and waterways) of 30% by 2030 and 50% by 2050 for distances greater than 300 kilometres<sup>6</sup>.

### Role of rail freight - internationalisation

A rail freight industry with a proven track record of moving goods safely, securely and efficiently can help to create the underlying conditions which make Scotland an attractive place to invest. It can help the Scottish economy strengthen its links with the global economy and promote Scotland's international brand.

### Challenging market conditions

While we see a key enabling role for rail freight in supporting Scotland's economy and our communities, we are faced with the reality of the decline in the dominant Scottish rail freight markets – coal and steel – which has been far quicker and more severe than predicted. For so long these were the cornerstone of our rail freight market in Scotland, providing the firm footing to allow operators to speculate in other markets. There is also the reality that this decline in core commodities has not been matched by market growth in other areas, such as intermodal traffic. This means that by the time that Longannet power station closes later this month, there may be a significant gap in the rail freight market in Scotland, potentially somewhere in the region of 50 to 70%<sup>7</sup>.

Network Rail's 2013 freight market study<sup>8</sup>, predicted considerable growth by 2043. However, this study could not have envisaged the severity and rapidity of the decline of the dominant markets. Future projections by Network Rail and its rail industry partners will be set against a baseline which accounts for the market conditions post the reductions in coal and steel.

### Meeting the challenges - a rail freight strategy for Scotland

Given these challenging conditions, we took the view that now was the right time to develop a rail freight strategy which would look to galvanise the actions of the rail freight industry, its customers and partners, including the Scottish Government.



The strategy is based on a wide ranging discussion with the industry and stakeholders. Among the strongest feedback we have received during the consultation period is that:

- The rail freight strategy should look to galvanise efforts in the short to medium term towards filling the gap left by the coal and steel markets. If rail freight can stabilise, sustained growth may be possible in the longer term.
- There is no single, large market waiting to fill the gap left by coal. Rather, the future for the industry in Scotland is likely to be around a range of smaller markets, either on the basis of commodity or geography. In this context, the ability to remove the barriers to innovation and market entry are critical.
- In order to access and service new markets, the rail freight industry has to be nimble, responsive and proactively seek new opportunities. While recognising competition and commercial interests, it must look towards greater collaboration, both within the rail freight industry and with wider stakeholders in the delivery of services, where this is to the overall benefit of the customer.
- The Scottish and UK Government must work together to ensure that public investment in rail freight, and their connections to other modes, are completely aligned. This would ensure that the fluidity of cross-border flows are maximised, increasing the opportunities for trade across GB and with the international markets.
- Rail freight cannot always deliver a door to door service. Therefore, while the economic, environmental and safety benefits of greater mode share for rail freight are recognised, this has to be seen in the context of the broader logistics chain.
- While recognising that safety is a major driver behind the Scottish Government's roads investment programme, there was a view expressed that rail investment should keep pace with road investment to create a Scottish freight 'corridor' with good access from rail to the strategic road network. Also of critical importance is a joined up approach to rail access at ports and harbours, in particular to support Scottish exports.

<sup>4</sup> [www.raildeliverygroup.com/files/Publications/2014-05\\_keeping\\_the\\_lights\\_on.pdf](http://www.raildeliverygroup.com/files/Publications/2014-05_keeping_the_lights_on.pdf)

<sup>5</sup> [www.raildeliverygroup.com/files/Publications/2014-05\\_keeping\\_the\\_lights\\_on.pdf](http://www.raildeliverygroup.com/files/Publications/2014-05_keeping_the_lights_on.pdf)

<sup>6</sup> [ec.europa.eu/transport/themes/strategies/2011\\_white\\_paper\\_en.htm](http://ec.europa.eu/transport/themes/strategies/2011_white_paper_en.htm)

<sup>7</sup> These figures are based on discussions with the industry as part of the consultation process.

<sup>8</sup> 'Long Term Planning Process: Freight Market Study', Network Rail, October 2013

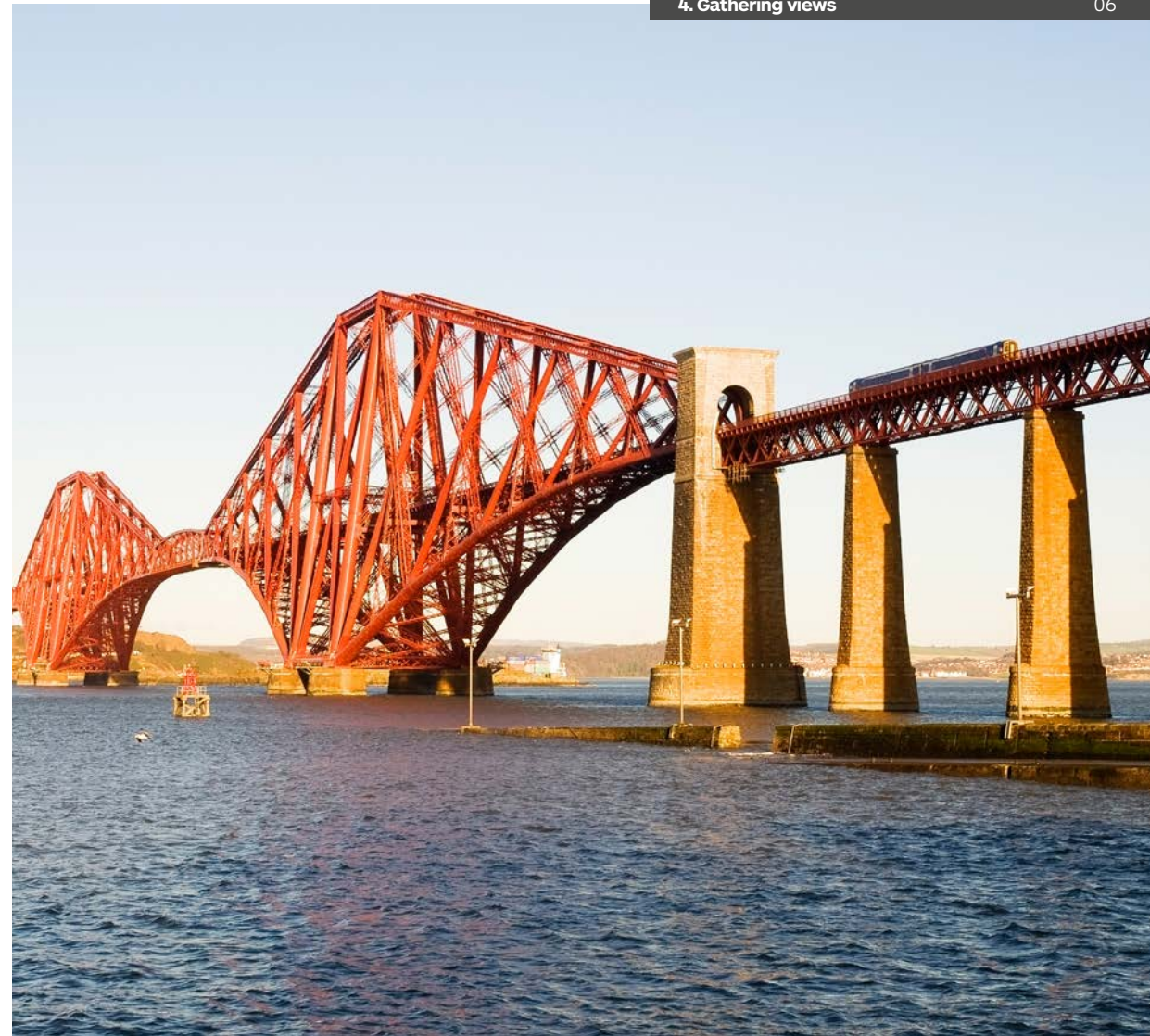
# 4. GATHERING VIEWS

## Through the consultation process, we have gathered views in a number of ways:

- We have received 46 responses to our consultation, which ran from 22 October until the 22 January.
- We held seven stakeholder workshops in Coatbridge, Grangemouth, Glasgow Aberdeen, Inverness and London (two). Over 20 organisations attended with a wide spread of interests, including representative bodies, private companies and public sector bodies.
- We had a number of bilateral discussions with organisations and individuals.

## Alongside the strategy we will publish:

- An analysis of the consultation responses.
- The full consultation responses, where we have permission from the respondent.
- A note of the discussions at stakeholder events.



# 5. BRINGING THE RAIL FREIGHT STRATEGY TO LIFE

A desire to tackle the challenges of the loss of the dominant markets, and taking the action necessary to enable the rail freight industry to seek and fully embrace new market opportunities, is the platform upon which this rail freight strategy is built. But the Scottish Government cannot deliver this alone. It will require a willingness and concerted effort from all who have an interest in the success of the rail freight industry. It requires joint action, commitment and investment.

Having considered everything that the rail freight industry and wider stakeholders have told us through the consultation, along with the data and analysis that we have gathered, the following chapters outline a suite of proposed actions which will bring the rail freight strategy to life. These are centred around the four key levers for success:

## Innovation

- Examining the barriers to market entry.
- Proactively identifying new markets and opportunities for pilot initiatives.
- Fostering a 'can do' attitude towards resolving technical, regulatory and engineering challenges.

## Facilitation

- A co-ordinated approach to ensuring the efficient use and availability of the Scottish network, which will help to support market entry for rail freight.
- Ensuring alignment on the opportunities and challenges for cross-border flows.
- A regulatory framework which incentivises growth.

## Promotion

- Promoting the benefits of using rail freight through targeted information campaigns.
- Providing easy to access information to help current and potential rail freight users plan their logistics needs.

## Investment

- Creating the right environment for a targeted, whole industry approach to investment which enables rail freight's potential for growth and maximises its contribution to Scotland's economy.
- Providing certainty in the long term investment programme, encouraging third parties to also invest in rail freight services and facilities.
- Complete alignment between the Scottish and UK Governments on cross-border investments, with a focus on supporting Scottish exports.



# 5.1 Innovation



Exploring new, more efficient ways of transporting goods across Scotland and the UK and to the continent.

## Supporting new ways of working

The Scottish rail industry is undoubtedly in a period of change. The Bowe<sup>9</sup> and Hendy<sup>10</sup> reviews reported at the end of last year whilst the Shaw Review<sup>11</sup> on the future structure and financing of Network Rail reported its recommendations last week and the UK Department for Transport set out its statement on the future role of the Office of Road and Rail (ORR)<sup>12</sup>. The Scottish Government will carefully consider the conclusions and recommendations from each of these. At a structural level, Scottish Ministers welcome any strengthening of responsibilities and control of decision-making to Scotland but will continue to pursue options for the full devolution of Network Rail in Scotland and whole system accountability to the Scottish Parliament.

The Control Period 5 (CP5) investment programme is presenting engineering challenges which require new approaches towards delivery, for example in the roll out of our electrification programme. While through Digital Railways, we are getting a glimpse of the technological future of the industry.

Taken together, the time has never been better for the industry to make a step change in its approach to innovation. However, a common theme that has emerged through both the consultation responses and stakeholder sessions was the range of barriers, often regulatory and cultural, affecting the exploration of new opportunities for rail freight.

There was a perception amongst some respondents that parts of the railway were not fully incentivised to

proactively seek new freight traffic with a range of technical, regulatory and engineering challenges identified as key constraints.

Particular issues identified include:

- A rigid, one-size fits all approach to resolving issues around interoperability and group standards, rather than a proactive, risk based approach.
- Lengthy regulatory and railway planning processes. This meant that the length of time taken to move from idea to testing to delivery could potentially lead to missed market opportunities and undermine rail's ability to respond to fluid freight markets. Most concerning was a perception that, as a consequence of this, a number of industries simply did not consider moving goods by rail as an option.

One of the four priorities within the Scottish Government's economic strategy is **to foster a culture of innovation and research and development**.

This is essential to enable Scotland's business sectors and industries to optimise their potential for growth and efficiency in supplying high quality products. Scotland has a long-standing reputation for innovation and we think that the Scottish rail freight industry, with the right support and approach, involving partners across the industry and beyond, can be at the leading edge of railway innovation. For example, looking at smarter ways of loading and moving commodities, such as timber, which can often be found immediately adjacent to the rail network.

The Scottish Government cannot lead the way on rail freight innovation – it is a matter for the rail freight industry, where the expertise resides. However, we can use our position as the main funder of Scotland's railways to drive the cultural and behavioural change necessary to make sure that the industry in Scotland has a 'can do' response to new ideas and innovative solutions.

We can also consider the potential for financial support, subject to state aid rules and the availability of Government finance, where the business case has demonstrated particular potential for sustainable market growth and where the broader benefits to Scotland's economic growth, and wider policy objectives are clear.

This need not be focussed on infrastructure development – we want to take a whole system approach to public investment which will help to achieve greater efficiency and true value for money.

Actions →



<sup>9</sup> [www.gov.uk/government/publications/bowe-review-into-the-planning-of-network-rails-enhancements-programme-2014-to-2019](http://www.gov.uk/government/publications/bowe-review-into-the-planning-of-network-rails-enhancements-programme-2014-to-2019)

<sup>10</sup> [www.gov.uk/government/publications/sir-peter-hendys-re-plan-on-resetting-network-rails-enhancements-programme-2014-to-2019-government-response](http://www.gov.uk/government/publications/sir-peter-hendys-re-plan-on-resetting-network-rails-enhancements-programme-2014-to-2019-government-response)

<sup>11</sup> [www.gov.uk/government/publications/shaw-report-final-report-and-recommendations](http://www.gov.uk/government/publications/shaw-report-final-report-and-recommendations)

<sup>12</sup> [www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-03-17/HCWS624/](http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-03-17/HCWS624/)



# Innovation ACTIONS



The Scotland Freight Joint Board will **consider the barriers to innovation and attracting new freight onto the railway network and how these can be overcome**. The Board will use, among other things, the evidence from the 'Lifting the spirit'<sup>13</sup> trial and the 'Branchliner' initiative as a basis to identify areas for positive action. Areas for consideration will include:

- Behaviour and culture.
- Regulation and standards.
- Barriers to market entry.
- Moving joint loads.
- Network capability, particularly for containerised traffic.
- Export potential, in particular through the ports and direct services via the Channel Tunnel.
- Identification of particular markets for deeper exploration and potential pilot initiatives. Initial focus should include food and drink, timber and construction.

The Board will produce a report on its conclusions by the **end of July 2016**.

As part of the industry planning process, the rail freight industry should provide advice to the Scottish Government through the Scottish Initial Industry Plan (or equivalent), due in Autumn 2016, on **the establishment of a ring-fenced rail freight innovation fund for Control Period 6 (CP6)**. The fund should have a particular focus on facilitating a whole system approach to investment in rail freight innovation. Any investment should be underpinned by a robust and sustainable business case which clearly articulates the broader benefits to the Scottish economy and industry and other third party investment should be seen as a requirement.

Two very specific proposals have emerged through stakeholder discussions:

- We will establish a short-life working group, chaired by Transport Scotland and to include Abellio ScotRail and cross-border operators, to consider **opportunities for moving low bulk goods and parcels on passenger services**. The group will report by the end of **January 2017**.
- The Scotland Freight Joint Board will commission **a study on the potential for an 'urban freight network'**, through the use of existing parts of the network to deliver goods to and between the centre of cities and large towns. The potential for the removal of retail waste products, in particular working with local authorities, will also be explored as part of this work. The study will report by the end of **February 2017**.



<sup>13</sup> [www.hitrans.org.uk/Projects/Current\\_Projects/Food\\_Port\\_-\\_Lifting\\_the\\_Spirit\\_Project](http://www.hitrans.org.uk/Projects/Current_Projects/Food_Port_-_Lifting_the_Spirit_Project)

## 5.2 Facilitation



Building sustainable partnerships to bring benefits to customers and help grow existing, new and emerging markets.

### Strategic partnerships

The Economic Strategy reflects that **partnerships between all parts of the public sector, employers, the third sector and trade unions is key to driving change and growth.**

Strong, strategic partnerships are already a feature across the rail industry in Scotland, including rail freight. There are a number of groups already in existence which consider the role of freight in shaping future strategic rail planning and investments. There is a similar picture at a GB level, where Scottish rail freight interests are represented on all the key strategic industry and governmental groups.

Given the above, we do not see the need for any change in the structure of the strategic partnerships at either Scottish or GB level.

However, we will work with the rail freight industry and other partners to keep this under regular review. In particular, in response to any structural changes within the broader rail industry or changes to the periodic review process.

### Moving as one

A recurring theme in the consultation responses and the stakeholder sessions was the imbalance of flows in domestic traffic and, accordingly, the opportunities to spread the costs and risks presented by the sharing of rail freight movements i.e. where two or more freight providers would combine to run a single train. While there has been a number of good examples of this, as a consequence of some technical and commercial barriers, this is not common practice.

It is our view that there are potentially significant benefits from sharing freight movements:

- Reduced costs for the respective rail freight providers.
- Pooling of risk across both provider and customer.
- More efficient use of network capacity.
- Reduction in rail freight's carbon footprint.
- Increased carbon efficiency.

### Ensuring cross-border flows are effective

Unlike Network Rail routes or franchised passenger services, generally speaking rail freight has no defined geographic boundaries, but rather is responsive to the needs of the market.



Much of the rail freight which operates on the Scottish route is cross-border, moving goods to other parts of the UK or to depots or ports for export. It is therefore essential that accessibility to cross-border flows are effective and resilient.

It is our view **that many of Network Rail's central HQ and systems operator functions, such as infrastructure projects, timetabling, planning and capacity utilisation could be more effectively carried out if they were fully devolved to the Scottish route.** This would enable tailored and therefore more effective and timely responses to network issues, reached in full collaboration with operators on the Scottish network. It would also help to ensure that there was no misalignment between local and national priorities. Some of these points have been identified through the Shaw report's recommendations while others will be pursued separately by the Scottish Government.

Within this context there is a clear recognition that the position of freight services which

operate across the GB network should be fully protected. This includes certainty on existing freight paths and the potential to create new ones in line with demand. Additionally, there are a range of good examples where a coordinated approach has helped to mitigate the worse effects of network disruption. However, a system of good and timely communication between system operator functions and Network Rail routes, alongside a shared desire to reach the best outcome for rail users would be just as, if not more, effective than the current, highly centralised approach.

In particular, we will work with the Office of Rail and Road, the ScotRail Alliance, Network Rail's National freight team and the wider industry to strengthen freight targets and outcomes through the periodic review process.

Recent events have called into the question the resilience of the rail network. While changing weather patterns mean that we are facing challenges such as record levels of rain fall, the disruption caused over the winter through

issues such as the damage to the Lamington viaduct and the flooding on the Highland Main Line have had a significant, detrimental impact on the movement of rail freight.

While infrastructure development is the right approach to improved resilience in some circumstances, such as gauge cleared diversionary routes, it is equally, if not more important to ensure that the right culture and behaviours are in place in times of disruption. In particular, that the rail industry is focussing all of its joint efforts on doing the right thing for freight customers.

There have also been on-going issues with the resilience of the Channel Tunnel. While there are currently no direct services from Scotland to the continent via the Tunnel, there are a number of goods movements which are transferred to freight trains using the route. In addition, feedback from the stakeholder sessions is that there is merit in exploring the potential for a through service from the Eurocentral terminal to the continent, which would require certainty around access to be viable.

### A supportive regulatory framework

A common theme amongst the responses was the need for a stable and supportive regulatory environment for rail freight. In particular, that the charging structure for freight operators and the incentive framework should be built around the needs of freight customers. Also that much more must be done to incentivise Network Rail to support an increase in freight traffic on the network.

This strategy document has reflected on the decline in the rail freight markets. A number of respondents have highlighted that this will free up capacity on the rail network and this should be protected for rail freight use in order to support new market opportunities.

Some responses also suggested that areas such as Network Rail's commercial leasing arrangements and the Network Code can disincentivise private investment in freight facilities and services.

### National Planning

A number of consultation responses noted the importance of the Scottish Government's strategic spatial planning, as reflected in the third National Planning Framework (NPF3). NPF3 is clear that freight networks are critical to our economy, with investment in infrastructure helping to reduce congestion and encourage modal shift. Specifically, rail freight is identified as having potential to reduce the carbon footprint of the freight sector and will have increasing importance in meeting our targets for exports.

The Scottish Government is working closely with the Scottish Freight and Logistics Advisory Group (ScotFlag) to bring life to our commitment to work with the freight sector in identifying strategic future development priorities. We will reflect on that work in our forthcoming monitoring report for NPF3, which will form part of the evidence base to be used to inform the review of the Framework, that we anticipate to be completed in 2019.

### Development Plans

The position of rail freight in local planning decisions is also important if new markets and traffic is to be attracted to the sector, particularly around the development of freight terminals, railheads and the efficient management of local traffic accessing such sites.

Transport and land use planning are distinct functions but have a clear relationship: one cannot be delivered without the other. Our suite of planning policies from a national to a local level are not intended to replace transport plans, policies or strategies but to complement them. Scottish Planning Policy (2014) sets out national planning policies which reflect our priorities for the operation of the planning system and the development and use of land. It sets out that rail freight needs, including through new or expanded interchanges, are important in the preparation of development plans. It also encourages local development plans to locate development which generates significant freight movements on sites accessible to suitable railheads. Development plans are subject to extensive consultation during preparation and the rail freight industry is strongly encouraged to engage in that process.

Actions →



Rail freight is identified as having potential to reduce the carbon footprint of the freight sector and will have increasing importance in meeting our targets for exports.



# Facilitation ACTIONS



The Scottish Government's High Level Output Specification (or equivalent) (HLOS) for Scotland's railways for the period 2019-2024 (CP6), will include a specific output on the availability (including resilience) of cross-border routes for freight and, in that context, the effectiveness of the coordination between the Scottish route and the rest of the GB network. Advice to the Scottish Government on what this may look like will be included in the Scottish Initial Industry Plan, due in September 2016.

The Scottish Government will work with the main rail freight providers to understand the technical, regulatory, commercial and contractual barriers to moving shared loads.

We will report the findings of this to the Scotland Freight Joint Board by January 2017, which they will consider as part of their broader work on barriers to market entry. This will also be included in discussions with the DfT in relation to cross-border flows.

The ORR will provide advice to the Scottish Government on the regulatory framework for freight as part of the forthcoming periodic review of Network Rail. We will continue to work with the ORR to explore options for how the charges and the incentives framework can provide a stable platform to enable and encourage growth in the sector.

This will also consider the levers that may be available to the Scottish Government to support this through the approach to funding.

In working with the ORR we will emphasise the key priorities for Transport Scotland, specifically:

- Long term stability and predictability.
- Flexibility and the ability to respond to market opportunities and challenges, both at a commodity and geographic level.
- That Network Rail is properly incentivised to proactively support the growth of freight traffic on the network, both local and cross-border.

This should be provided as part of the broader ORR advice to the Scottish Government through the periodic review process, which is expected in spring 2017.



The Scottish Government will reflect upon this advice in preparing revised statutory guidance to the ORR, which will be issued alongside the HLOS in summer 2017. Network Rail will provide an analysis of the network capacity released by the reduction in coal and steel traffic, both in the immediate, medium and long term. They will then engage with the ORR and rail freight industry to explore opportunities to fully utilise the released capacity to support alternative market opportunities for rail freight. This work will primarily inform the statutory guidance to the ORR and the work of the Scotland Freight Joint Board on market opportunities.

Network Rail will continue to review commercial leasing arrangements to ensure they remain fit for purpose for the current market.

The Scottish Government will seek further information from the Scotland Freight Joint Board about the engagement of its membership with the development plan process and how it considers that development plans could be further improved to identify key opportunities and optimise investment potential in rail freight. This will report in November 2016.



We will work with the main rail freight providers to understand the technical, regulatory, commercial and contractual barriers to moving shared loads.



## 5.3 Promotion



Shining a light on the economic, social & environmental benefits of moving goods by rail.

### Shining a light on Scotland's rail freight industry

The Economic Strategy outlines the importance of promoting Scotland's international brand and **showcasing both Scotland and Scottish goods and services**. This applies to both internal and export markets, enhancing Scotland's reputation as a good place to do business.

A common theme across the consultation responses and the stakeholder discussions was a perception that the rail industry and the Scottish Government could do more to promote rail freight. As a consequence, there was potentially a lack of awareness among businesses of the benefits of using rail freight, particularly against moving goods by road.

Broader perceptions among businesses included that:

- Accessing rail services was complex;
- Services were inflexible and unreliable; and
- Putting goods on rail was expensive when compared against other modes (mainly roads).

Whereas the reality is that:

- Using rail can be more cost efficient than road, in particular for the movement of heavy goods over large distances;
- That rail freight is very reliable, with around 96%<sup>14</sup> of freight trains running to time;
- Rail has significant environmental benefits, with 76% less carbon dioxide per tonne of freight moved rail compared to road<sup>15</sup>; and

- Alongside passenger services, rail freight prevents up to 57 serious road casualties and fatalities per year and delivers up to £241m in travelling time savings through reduced road congestion<sup>16</sup>.

Given this, the general view within the consultation responses was that more should be done to promote the use of rail freight by businesses in Scotland, and through Scottish public sector procurement.

Actions →

<sup>14</sup> [www.orr.gov.uk/\\_data/assets/pdf\\_file/0009/19926/network-rail-monitor-scotland-2015-16-q1-2.pdf](http://www.orr.gov.uk/_data/assets/pdf_file/0009/19926/network-rail-monitor-scotland-2015-16-q1-2.pdf)

<sup>15</sup> [www.raildeliverygroup.com/files/Publications/2014-05\\_keeping\\_the\\_lights\\_on.pdf](http://www.raildeliverygroup.com/files/Publications/2014-05_keeping_the_lights_on.pdf)

<sup>16</sup> [www.transport.gov.scot/system/files/documents/tsc-basic-pages/Rail/The%20economic%20contribution%20of%20rail%20in%20Scotland%20March%202016.pdf](http://www.transport.gov.scot/system/files/documents/tsc-basic-pages/Rail/The%20economic%20contribution%20of%20rail%20in%20Scotland%20March%202016.pdf)



## Promotion ACTIONS



The **Scotland Freight Joint Board will produce an easy to understand guide to the benefits of using rail freight services and how to access them.** This will support marketing opportunities for rail freight providers and will co-ordinate with any wider industry communications campaigns on the benefits of using rail.

In line with established guidelines this will help maximise the available opportunities for rail freight in construction projects and the wider planning of public procurement generally. We will also use our network of contacts to circulate the guide to Scottish businesses and public procurement bodies by **end October 2016.**

Following on from the easy to understand guide, **the Scottish Government will work with public sector partners, the rail industry, and wider stakeholders to arrange a series of rail freight conferences in different locations across Scotland** with the specific purpose of enabling rail freight providers to engage directly with individual businesses – both major producers and SMEs – business organisations and relevant public bodies. These will be rolled out from **autumn 2016.**

In support of the easy to understand guide and conferences, as a matter of priority, but no later than end **November 2016, the Scotland Freight Joint Board will work with public sector partners to develop proposals for a web-based portal** that provides key, straightforward information for Scottish businesses to help inform their logistics decision-making.

This could include freight timetables, loading capacity, availability and range of services, journey times, hours of operation, indicative costs and the contact details of logistics companies. This would also support the work to identify opportunities for shared train movements, among other things identifying flexibility in the offer to customers.



We will work with the Scotland Freight Joint Board to produce an easy to understand guide to the benefits of using rail freight services and how to access them.



## 5.4 Investment

Maximising the impact of public and private investment with a focus on aligned incentives and collaboration to drive efficiency and value for money.

The Economic Strategy recognises the **importance of investing in Scotland's infrastructure** to help Scottish businesses to grow, innovate, and create good quality employment opportunities.

The Scottish Government has a strong record of investing in Scotland's railway network, with over £6bn invested in infrastructure and services since 2007, with a £5bn programme earmarked until 2019, including the £30m Scottish Strategic Rail Freight Investment Fund administered by the industry. Freight has benefited from this investment in a number of ways, through the day to day operation of the rail network, new lines, new electrified routes and additional gauge clearance.

Despite the obvious success of the investment programme, the response to the consultation was clear that the approach can be improved in a number of ways:

- Greater certainty and stability in the public investment programme is needed to encourage third party investment. This should be underpinned by an in-depth study of the current rail freight market in Scotland and the opportunities for investment.
- Identifying and formalising a Strategic Freight Network for Scotland, including interactions with cross-border services, will help to target investment.
- That a whole system approach to investment should be adopted. For a long period of time now the vast majority of rail freight investment has been infrastructure related. However, there was a consistent view from a number of respondents that thought should be given to investing more widely, for example through seed funding of pilot initiatives, rolling stock and the upgrade of freight yard facilities.
- There is a perception that freight investment has been of secondary importance in planning, with benefits often a by-product of investment in passenger services. This position has improved in recent times, for example through the Scottish Strategic Rail Freight Investment Fund, but that more work should be done to place freight on a more equal footing in future



- rail investments. In particular, greater clarity in rail freight outputs through processes for planning and specification of rail investments, both at a whole railway and freight specific level.
- That the system of freight mode shift grants available for rail freight is highly valued (Mode Shift Revenue Support and Freight Facilities Grant) but there was a perception that it could in a number of circumstances be more responsive to opportunities in the rail freight sector.

- It is of critical importance that the Scottish and UK Governments take a joint approach to investment in rail freight as it affects cross-border flows. This applies to the full range of opportunities through investment in rail itself and also in areas such as depots and access to ports and harbours. Of particular importance, that the opportunities for rail freight across GB to support the Scottish export markets are fully realised.

Actions →



Freight has benefited from this investment in a number of ways, through the day to day operation of the rail network, new lines, new electrified routes and additional gauge clearance.



# Investment ACTIONS



The Scottish Government has already published broad based research on the overall value of rail to Scotland's economy, including some detail on the impact of rail freight<sup>16</sup>. We will follow this up by jointly commissioning with the Scotland Freight Joint Board a **specific deep dive market commodity study which will review market potential at both a Scotland wide and more localised geographic level**. This work will be completed by **July 2016** and will inform:

- The rail industry advice to the Scottish Government through the Scottish Initial Industry Plan for investment post 2019.
- The work of the Scotland Freight Joint Board to consider the opportunities for and barriers to market entry.

- Rail industry consideration of any viable options for the Scottish Government grant funding system as it applies to rail freight.

The Scotland Freight Joint Board will **identify and formalise the Scottish Strategic Freight Network by June 2016**. This will include any interactions with the network in England and Wales relative to cross-border services. Early work should also be done to **identify potential diversionary routes within Scotland that can be gauge cleared for freight with no or minimal intervention**. This should build on the positive experience of the escalated process to clear routes during the closure of the Lamington viaduct.

Following on from this, the advice provided to the Scottish Government through the Scottish Initial Industry Plan, due in **September 2016**, will **be explicit on how rail freight needs have been fully considered in the rail investment priorities beyond 2019**.

The advice will include industry proposals for a **refocused Scottish Strategic Rail Freight Investment Fund, either separate from or as part of a rail innovation fund, with an emphasis on whole system solutions** to rail freight challenges, how the priorities identified will tackle the challenges of the declining traditional markets and how the investment sits within the Strategic Freight Network for Scotland.



Areas of focus in the advice should include potential improvements to the capability of the Scottish network, particularly for container movements, both in terms of gauge and in train length. We would expect this to include a strategic East Coast cross-border freight corridor with additional capacity, both as a viable alternative route for existing traffic and to maximise the export and import opportunities of the UK deep ports, opportunities for enhanced rail freight services on the Highland Main Line, and exploiting the full potential of electrification of the Edinburgh Suburban line and upgrades to related infrastructure, including Millerhill.

The Scottish Government's High Level Output Specification for Scotland's railways for the period 2019-2024 (CP6), **will include a specific section on freight, including expectations on performance, investment and resilience**. Where broader rail investment is specified, the required outcomes for rail freight will be clearly identified and articulated.

The Scottish Government will seek agreement with the UK Government **to establish a focus group which will ensure that there is complete alignment in the investment strategy for rail freight** between both Governments. In particular, to work towards a set of joint outcomes for cross-border freight to be specified through the respective HLOS' (or equivalent).

The Scottish Government **will continue to provide advice and support** to potential freight mode shift grant applicants.

We are open to ideas from the industry - which are in accordance with both domestic and European law - for **viable approaches to other grants**.

<sup>16</sup> www.transport.gov.scot/system/files/documents/tsc-basic-pages/Rail/The%20economic%20contribution%20of%20rail%20in%20Scotland%20March%202016.pdf



# 6. MEASURING SUCCESS

There were mixed views within the consultation responses on the benefits of setting targets. On the one hand, that there were already a significant and sufficient number of targets already in place, from those set by the regulator to individual company targets. On the other hand, aspirational targets could help to drive the strategy towards conclusion.

On balance, we have concluded that at this stage the strategy should not set hard targets for the rail freight industry. We would be happy to revisit this at any time, with guidance from the Scotland Freight Joint Board.

It is, however, important to track and measure the success of the strategy. Based on the feedback from the consultation, we have identified a suite of **critical success factors**:

- A sustainable rail freight industry, with identifiable growth potential over time.
- Creating increased opportunities for Scottish exports.
- Longer, faster, greener freight trains.
- A high performing, resilient, strategic freight network for Scotland, fully aligned with the cross-border flows.
- Strong partnerships across the industry, focussing on doing the right things for customers.
- High value returns on public and private investments.

The Scottish Government will publish an initial **report on progress against the critical success factors by June 2018** i.e. 2 years after the implementation of the strategy, followed by periodic updates.

It is also important to monitor the delivery of the actions within the strategy. We will **report progress to the Scotland Freight Joint Board on a 6 monthly basis** and also publish this on Transport Scotland's website.

# 7. IMPACT ASSESSMENTS

## Strategic Environmental Assessment

As required by the Environmental Assessment (Scotland) Act 2005 Transport Scotland has considered the requirement for a Strategic Environmental Assessment of the Rail Freight Strategy. Given the overarching role of the strategy it has been concluded that it will have no environmental effects and therefore has been exempted following completion of a screening report.

## Equality

The Scottish Government is fully committed to equality. A high-level Equalities Impact Assessment has concluded that the strategy will have no specific impact on protected equalities characteristics. However, this will be monitored as the actions within the strategy develop.

## Business & Regulatory Impact Assessment

The Scottish Government is committed to the principles of better regulation. Although not introducing any new legislation or regulation, an outline BRIA has been produced by Transport Scotland. This concluded that the actions proposed within the Strategy will not lead to any additional burdens on businesses.

# 8. ACTIONS – SUMMARY

## Innovation

The Scotland Freight Joint Board will consider the barriers to innovation and attracting new freight onto the railway network and how these can be overcome.

July 2016

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The rail freight industry should provide advice to the Scottish Government through the Scottish Initial Industry Plan, on the establishment of a ring-fenced rail freight innovation fund.

September 2016

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We will establish a short-life working group to consider opportunities for moving low bulk goods and parcels on passenger services.

January 2017

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The Scotland Freight Joint Board will commission a study on the potential for an 'urban freight network'.

February 2017

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## Facilitation

Network Rail will assess the network capacity released by the reduction in coal and steel traffic and, working with operators in the development of the Strategic Capacity Statement, ensure that the industry can secure the capacity required to support alternative freight traffic.

November 2016

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The Scottish Government will seek further information from the Scotland Freight Joint Board about the engagement of its membership with the development plan process and how it considers that development plans could be further improved to identify key opportunities and optimise investment potential in rail freight.

November 2016

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The Scottish Government will work with freight providers to understand the technical, commercial and contractual barriers to moving shared loads.

January 2017

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The Scottish Government will continue to work with the ORR to explore options for how the charges and the incentives framework can provide a stable platform to enable and encourage growth in the sector.

Spring 2017

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The Scottish Government's High Level Output Specification for Scotland's railways for the period 2019-2024 (CP6), will include a specific output on the availability (including resilience) of cross-border routes for freight.

Summer 2017

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Network Rail will continue to review commercial leasing arrangements to ensure they remain fit for purpose for the current market.

On-going

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## Promotion

The Scotland Freight Joint Board will produce an easy to understand guide to the benefits of using rail freight services and how to access them.

October 2016

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The Scottish Government will work with public sector partners and the rail freight industry to arrange a series of rail freight conferences.

Autumn 2016

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The Scotland Freight Joint Board will work with public sector partners to develop proposals for a web-based portal.

November 2016

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## Investment

The Scotland Freight Joint Board will identify and formalise the Scottish strategic freight network.

June 2016

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The Scottish Government and the Scotland Freight Joint Board will jointly commission a specific deep dive market commodity study which will review market potential at both a Scotland wide and more localised geographic level.

July 2016

---

The advice provided to the Scottish Government through the Scottish Initial Industry Plan, will be explicit on how rail freight needs have been fully considered in the rail investment priorities beyond 2019, including a refocused Scottish Strategic Rail Freight Investment Fund.

September 2016

---

The Scottish Government's High Level Output Specification for Scotland's railways for the period 2019-2024 (CP6), will include a specific section on freight, including expectations on performance, investment and resilience.

Summer 2017

---

The Scottish Government will publish an initial report on progress against the critical success factors.

June 2018

---

The Scottish Government will seek agreement with the UK Government to establish a focus group which will ensure that there is complete alignment in the investment strategy for rail freight between both Governments.

On-going

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The Scottish Government will report progress on the actions to the Scotland Freight Joint Board on a 6 monthly basis.

On-going

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The Scottish Government will continue to provide advice and support to potential freight mode shift grant applicants.

On-going

---

The Scottish Government is open to ideas from the industry - which are in accordance with both domestic and European law - for viable approaches to other grants.

On-going

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# 9. GLOSSARY

## Abellio ScotRail

Abellio is a subsidiary of Nederlandse Spoorwegen, which is the principal passenger railway operator in the Netherlands. The company has been operating Scotland's daytime passenger services, as specified by the Scottish Government under the ScotRail franchise, since April 2015.

## Branchliner

Led by HITRANS and involving key players in the logistics and timber industries, this pilot initiative is considering the opportunities and challenges of moving timber forestry products by rail.

## Control Period 5

The current five year railway cycle, from 2014-2019, during which Network Rail will deliver the outputs specified by the Scottish Government and set by the Office of Rail and Road (see also 'Periodic Review').

## Cross-border operators

The train companies who operate passenger franchised services between destinations in Scotland and England.

## Digital Railway

The proposal for the UK to adopt modern digital signalling and train control within the next 25 years and create credible options to upgrade to next generation technology as it becomes available.

## Edinburgh Suburban Line

An east-west rail line on the southern margin of Edinburgh, facilitating the movement of heavy freight across the city.

## Eurocentral

Eurocentral is one of the largest industrial estates in Scotland, situated on the edge of Holytown and Mossend, North Lanarkshire. As well as warehouse distribution centres, it hosts a railfreight centre (DB Schenker) which links with Grangemouth docks 28 miles (45 km) to the north east, England to the south and beyond to mainland Europe.

## Freight Facilities Grant

A Scottish Government grant which helps companies with the capital costs associated with moving freight by rail or water instead of road, by offsetting the extra costs of providing freight handling facilities. It's designed to facilitate and support modal shift, generating environmental and wider social benefits.

## Freight Operating Companies

Rail Freight is a commercial service provided by private freight train operating companies (also known as FOCs) for customers.

## High Level Output Specification (HLOS)

The document through which the Scottish Government outlines its investment priorities for Scotland's railways. This forms the key component of the ORR's 5 yearly periodic review process, which sets the outputs and funding for Network Rail.

## Highland Main Line

A 118 mile rail line which connects towns and villages to Perth at one end and Inverness at the other.

## Lamington Viaduct

Carrying the West Coast Main Line over the River Clyde it was damaged by the swollen river on Hogmanay 2015, and reopened in February 2016 after extensive repair work.

## Logistics Providers

Logistics service providers often act as intermediaries offering a variety of services and are especially useful when considering multi-modal distribution. They can manage the whole process for customers.

## Longannet Power Station

The largest (coal fired) generator of power in Scotland, with the capacity to power two million households, it occupies an 89-hectare site on the north shore of the Firth of Forth near Kincardine, Fife. It is due to close on the 31st March 2016.

## Mode Shift Revenue Support Grant

A Scottish Government grant which helps companies with the extra operating costs associated with moving freight by rail or inland waterways instead of road. It's designed to facilitate and support modal shift, generating environmental and wider social benefits.

## Millerhill

Millerhill is a rail yard just south of Edinburgh, which links to the Edinburgh Suburban Line and East Coast Main Line.

## Network Code

The Network Code is a common set of rules and industry procedures that apply to all parties who have a contractual right of access to the track owned and operated by Network Rail.

## Network Rail

Maintains, operates, renews and enhances the rail infrastructure across Great Britain. Network Rail has a dedicated National Freight team reflecting the GB-wide nature of the rail freight market.

## Office of Rail and Road (ORR)

The Office of Rail and Road is the independent safety and economic regulator for Britain's railways and monitor of Highways England

## Periodic Review

The process through which the ORR determines what Network Rail must achieve over five year cycles, the money it requires to do this, and the incentives needed to encourage rail industry delivery and outperformance.

## The Scottish Freight & Logistics Advisory Group (ScotFlag)

ScotFlag monitors and provides advice to the Scottish Government on the delivery of wider freight policy in Scotland and its contribution towards national outcomes and objectives.

## Scotland Freight Joint Board

A collaborative governance structure which puts the rail freight industry at the centre of planning and investment decisions on Scotland's railways.

## ScotRail Alliance

A formal collaboration between Abellio ScotRail and Network Rail in Scotland to make the Scottish rail industry more responsive to customers' needs.

## Scottish Initial Industry Plan (IIP)

As part of the periodic review process, the IIP provides advice from the rail industry operating in Scotland to the Scottish Government on the choices and options for railway investment. The next IIP is due in September 2016 and will primarily cover the period 2019-2024.

## Scottish Strategic Rail Freight Investment Fund

A fund put in place in Control Period 5 to encourage growth in rail freight and reduce emissions. Administered by the rail freight industry through the Scotland Freight Joint Board.

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