Local Government and Transport Committee

7th Meeting, 2006

Tuesday 7 March 2006

The Committee will meet at 2 pm in the Civic Centre in Motherwell.

1. **Items in private**: The Committee will consider whether to take items 3 and 4 in private.

2. **Freight transport inquiry**: The Committee will take evidence from—

   **Panel 1**
   
   Gavin Scott, Policy Manager, Freight Transport Association

   **Panel 2**
   
   Phil Flanders, Director for Scotland, The Road Haulage Association;
   Pat Glancey, Area Manager, The Road Haulage Association;
   Ken Russell, John G Russell (Transport) Ltd.; and
   Margaret Thompson, Transport Manager, D Thompson and Son Ltd.

   **Panel 3**
   
   Mike Hogg, General Manager Performance and Operations Development, EWS; and
   Kay Walls, Commercial Manager Scotland, Freightliner

   **Panel 4**
   
   Andrew Malcolm, Chief Executive, The Malcolm Group

3. **Local Electoral Administration and Registration Services (Scotland) Bill**: The Committee will consider the possible contents of its stage 1 report.

4. **Witness expenses**: The Committee will consider a claim under the witness expenses scheme.

Martin Verity
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Agenda item 2

Submission from the Freight Transport Association  LGT/S2/06/7/1
Submission from the Road Haulage Association  LGT/S2/06/7/2
Submission from EWS  LGT/S2/06/7/3
Submission from Freightliner  LGT/S2/06/7/4
Submission from The Malcolm Group  LGT/S2/06/7/5

Agenda item 3

Paper from SPICe (private)  LGT/S2/06/7/6(p)
Submission on behalf of the Freight Transport Association

Introduction

The Freight Transport Association (FTA) represents the interests of providers and users of transport in the UK. FTA has some 12,000 members (1500 in Scotland) the majority of whom are involved in road transport either as own account operators or logistics providers. FTA members operate some 200,000 large goods vehicles, about half the UK fleet. FTA is, however, a multimodal organisation. 90% of rail freight and 75% of visible exports are consigned by FTA member companies.

Freight Transport in Scotland

The movement of freight by whatever means is not an end in itself but is done in response to a demand for goods to be delivered from source to factory or Regional Distribution Centre to supermarket. The final link in the supply chain as it is called is often by private car or, increasingly by small goods vehicle as the final link in home shopping by internet.

Most goods loaded on vehicles in Scotland stay within Scotland. Of all goods moving by road in Scotland 9% will leave the country and 11% will be imported from other places, mainly England. However this, itself, shows one of the problems affecting the logistics industry: there is a net inflow of 3.25 million tonnes of goods by road. This is the equivalent of some 130,000 fully laden vehicles coming into Scotland with nothing to take back.

Scotland is on the periphery of the periphery in relation to Europe. This peripherality and the poor state of the roads infrastructure in particular make it more difficult for businesses to compete against opposition who are nearer the market. Most commodities travel by road for at least part, if not all of their journey. The road network forms the arteries and veins that the lifeblood of the economy flows through. That lifeblood is the contents of the goods vehicles using the roads. If arteries in the human body become blocked heart trouble ensues unless remedial action is taken. The same principle applies to roads. The roads infrastructure, whilst years of underfunding are now being addressed, is not up to the standard that a modern economy needs and should expect. The central Scotland motorway network is still not complete and roads to the more remote areas of the country are, for the most part, single carriageway and in need of massive investment if the economy is to grow. This, coupled with the fact that the speed limit for Large Goods
Vehicles (those over 7.5 tonnes maximum allowable weight) is 40mph for single carriageway roads makes life for the operator and driver in Scotland very difficult. In this day and age, given the advance in vehicle technology a 40mph limit on open roads is a complete anachronism. FTA would like to see a limit of 50mph on good quality single carriageway roads and would have no problem with this being strictly enforced rather than the current situation whereby the police will, anecdotally, turn a blind eye to a goods vehicle not going much more than 50mph. VOSA, the Vehicle and Operators Enforcement agency, does not take the same attitude.

The Committee will, in all likelihood, not need reminded of the roads concerned but for the record they are: A75, A7, A77, A82, A95, A96 and A9. This is not an exhaustive list of roads that need upgraded and would benefit from increased speed limits but are those identified as being most important for the economy.

**Modes Other than Road for the Movement of Freight**

The vast majority of freight moves by road and will continue to do so for the foreseeable future. This is partly because of the convenience and flexibility of the road freight sector but is also because most journeys are of short distance and other modes are less suited to that sort of movement than road. Having said that, there is obviously scope for the transfer of traffic from road to other modes in some circumstances. The Executive continues to award freight facilities grants and water-borne freight grants where it can be shown that there would be a reduction in lorry miles on sensitive roads. A prime example of good use of grant funding is the removal of lorries carrying timber from Argyll to Ayr by road and transferring the trade to sea out of Campbelltown. Other instances may not be so spectacular but are to be welcomed. Transfer of freight from road to rail has also been achieved through the application of Freight Facilities Grants but there can be problems with the conflicting requirements of freight and passenger trains wishing to use the same rail infrastructure. Pressure to encourage more people to use rail for travel rather than car and encouragement to spread the demand for rail transport over the day could cause further problems. The potential for modal shift to inland waterway is not great particularly with regard to the Forth and Clyde/Union canal. There may be some potential for freight on the Caledonian Canal. Transfer to other modes, however, cannot and will not be a replacement for the provision of improved roads infrastructure.

The amount of freight moved to and from Scotland by air is almost negligible in absolute terms at about 77,500 tonnes per annum but the commodities shifted are high value and need to be moved quickly and efficiently.

**Industry Image**

The logistics industry suffers, unfairly, from a poor public image. Everybody likes freight. People expect to be able to visit a supermarket and find fresh produce from all over the world on the shelves. People expect that their refuse and recycling materials will be collected and will complain bitterly if the Council refuse vehicle doesn't turn up. Within the next few weeks, if they
have not already done it people will expect to be able to buy a Christmas tree and all the presents to go under it. People love freight. The problem is that people generally do not connect the goods in the supermarket etc with the vehicles they see on the roads. They like to have the freight when they want it, they just don’t want to see it being moved. Diesel engined goods vehicles were once renowned as dirty, smelly things with black smoke coming out of the exhaust that blocked out the light and suffocated anybody near at hand. Unfortunately this is still the image that many members of the public hold. The myth continues, but anybody comparing the facts would have to agree that there has been a massive reduction in emissions from diesel engined vehicles today compared with only a few years ago. Tighter and tighter technical standards for emissions from diesel engines have done away with black smoke. Euro 0 standard engines, introduced in 1990, reduced the black smoke to a grey haze. By 2008 when Euro 5 engines are introduced emissions of hydrocarbons, carbon monoxide, nitrogen oxides and particulates will have been reduced by between 86% and 96% of what was judged to be a tight standard in 1990 when it was introduced. It is unlikely that there will be a real alternative to the use of diesel for a long time into the future. Experiments have been tried with LPG and Liquefied Natural Gas but have not been the hoped for success. The addition of Bio Diesel to mineral diesel may help but can only be used in limited ratios. Other fuels such as hydrogen and fuel cells may achieve niche markets but for the foreseeable future the vast majority of goods will be delivered by vehicles running on diesel.

**Conclusion**

We have not touched on such subjects as the current high cost of fuel and the high tax rate applied to it. This is partially because the tax on diesel is a reserved matter and the current high cost of the raw material is a factor of world market prices and it is unlikely that even the UK Chancellor can do much about that. These are things, together with competition from foreign operators, that the industry in the UK as a whole suffers from. However the remoteness from market, the imbalance of trade, the lack of dual carriageway roads and the lower speed limits applied on them are problems affecting the industry in Scotland more than other parts of the UK.

Gavin Scott  
Head of Policy – Scotland  
Freight Transport Association  
25 November 2005
Introduction

The Road Haulage Association (RHA) is the primary trade association representing the interests of the hire-or-reward sector of the Scottish road freight transport industry.

The Association comprises 10,000 member companies with operating centres across the United Kingdom with approximately 1,000 in Scotland. Members range from single vehicle owner-drivers right through to multi-national fleet operators.

As well as lobbying government bodies and the authorities on behalf of the membership, a major part of the association's remit is to ensure that the road freight sector has the knowledge and ability to operate in a safe, legal, efficient and environmentally aware manner.

The Scottish road freight transport sector has always been highly competitive and accounts for approximately 10% of the UK Operators licence holders with similar bandings, for example, 54% operate one vehicle, 94% operate less than ten vehicles. Furthermore, profit margins within the sector are usually only between 2% to 3%. However, even this level of profitability is being eroded due to many factors that are outside the control of the individual operators.

Fuel Costs

The road freight sector is obviously affected by any fluctuation in the price of fuel, as this commodity makes up around one-third of overall operating costs for a typical operator. Over the last two years the purchase price of road fuel across Europe has increased dramatically. In fact, since January 2005 the cost of fuel purchased within Scotland has risen by 20%. It is acknowledged that this concerted increase has had a detrimental effect on trade right across the globe and not just in this country.

However, every road freight haulier based within Scotland has been additionally affected because of the long term government policy regarding the tax levels set in Westminster. Within the UK every litre of Ultra Low Sulphur Diesel (ULSD), which is the standard type of fuel used by the majority of commercial goods vehicle operators based in Scotland, has a 47.10 pence fuel duty levy added on to the purchase price, plus a further 17.5% Value Added Tax imposed (which for most hauliers can be claimed back). Therefore, every purchaser of fuel from within Scotland is paying at least 60% in tax to the UK Treasury.

The high level of fuel duty imposed by the UK government, compared with every other European member state, is a major component in the present uncompetitive state of all Scottish goods vehicle operators.

Foreign registered vehicles, which include those operating from Southern Ireland, can quite legally come into Scotland with 1500 litres of fuel purchased outside of the UK, at a purchase price at least £300.00GBP lower than is available here. This then gives the foreign registered truck a competitive advantage over the domestic haulier, which is undoubtedly having a detrimental effect on the Scottish economy and therefore the long-term employment prospects for those involved in this industry, both directly and indirectly.
Appendix ‘A’ – Weekly fuel costs UK

The industry concern about this was such that the RHA in conjunction with the Freight Transport Association commissioned an independent study into the effects of high fuel duty levels and foreign competition on the UK. The report of this study was published in November and is available to the Committee. But in summary, the findings demonstrate very real evidence of the devastating effect this unfair competition is having.

Appendix ‘B’ – Burns Report

**CASH FLOW:**

Many factors impinge on the hauliers’ Cash Flow:

The decision of almost all fuel companies and distributors to request payment every two weeks or, in some cases, for the haulier to lodge a sum of money with the Fuel Company and then be permitted only to draw fuel to that value.

Drivers’ wages are normally paid weekly so between fuel and wages, well in excess of 50% and in some cases in excess of 60% of costs are paid out far in advance of any money due.

The debtor days has grown and unfortunately in some cases as far away as 60 – 90 days before being paid for work, considering fuel is paid for after two weeks and most drivers are paid weekly!

The government also impacts on the cash flow, MOT tests have to be booked and paid for 30 days in advance.

**Legislation:**

**The Working Time Directive**

The Road Transport (WTD) Regulations, covering mobile workers, came into force on 4th April 2005. These regulations have had a major impact on the road freight sector and have forced this industry to revise completely its operational procedures and employees’ contractual agreements.

The legislation has imposed a 48-hour average working week on mobile workers, without the opportunity - afforded to every other sector of industry - to “opt-out”.

Drivers, already covered by Drivers' Hours and Tachograph Regulations which govern their working limits and ensure that daily and weekly rest-periods are observed, are either confused as to why they are requested to complete a further round of unnecessary paper-work or concerned that their employer has some reason for reducing their working time and therefore reducing their earning capacity!

The number of Scottish hauliers who would have proudly defined themselves as “INTERNATIONAL” has reduced dramatically:
The number of EU member states not implementing the working time directive for Road Transport has made it totally impossible to compete on any form of work/driving related journey. Coupled with their cheaper fuel on the continent, the lack of exports from Scotland and finally the withdrawal by SUPERFAST of their daily sailing schedule to three times a week has disturbing affects on an industry sector already in crisis.

Timber-Hauliers are experiencing great difficulty, the driver has to load the timber in the forest and unload the timber, he has a specialised vehicle with a crane mounted on the vehicle. The WTD is not allowing any flexibility for these employers/drivers and thus earnings of both employers and drivers are being reduced. Timber is a high volume low cost product, over 89% of timber used in Scotland is imported because it is cheaper, why?

Livestock hauliers devastated and demoralised from BSE and Foot and Mouth are now thin on the ground. WTD is having an impact on them as will be the new EU Regulations due to come into effect on 1 January 2007 – almost one year away – plenty of time – no there is not! All Livestock Drivers must have a “Certificate of Professional Competence” for driving a livestock vehicle and they must have it in their hand on 1 January 2007 – who is going to pay for this new certification? What will cost? Will the Livestock haulier get a rate increase because he has this certificate? If he does not have this new certificate he will not work after 1 January 2007!

In an industry already experiencing a shortage of skilled workers it has been estimated that the WTD legislation alone will increase the existing driver shortage by a further 50,000 per annum.

The cost of implementing the Road Transport (WTD) Regulations in the UK has been assessed, by Government, to cost industry over £1 billion.

The European Vocational Training Directive (Driver CPC)

An additional concern to this industry is the next European initiative to be imposed on the sector; the Vocational Training Directive. This new European Union legislation will require vocational/professional drivers of lorries of all sizes to hold a Certificate of Professional Competence (CPC), as well as holding a driving licence with the appropriate category obtained. This qualification, once obtained, will need to be renewed on a five-yearly basis. Whilst the road haulage industry is supportive of any practice and/or procedure that is proven to substantially improve safety on the roads, it cannot be expected to keep absorbing the costs of a continuous stream of unproven initiatives from Brussels.

Appendix ‘C’ Summary RHA Members briefing paper

Infrastructure

Operating from within Scotland immediately puts an operator at a disadvantage compared with his competitors based in the rest of UK.
The state of the roads in the north of Scotland have been described by members as being economically destabilising and contributing greatly to their cost increases in terms of both time and money.

Congestion is a further problem facing the UK logistics industry. It is estimated that by 2024 road traffic will have grown by between 45% and 55%, based on existing government forecasts of traffic growth.

Since 1997 there has been a 7% increase in the amount of road traffic using the UK road networks, whilst investment in road infrastructure has reduced by 24%.

In towns across Scotland delivery curfews, access restrictions and parking/delivery restrictions make urban deliveries increasingly difficult and costly, whilst at the same time clients request more stringent timed delivery windows to be met.

Enforcement

Higher levels of effective enforcement would be a benefit to the road haulage sector, as well as contributing towards safer roads across the country. The Scottish road transport sector is under particular strain in respect of the environmental burden, as it lies at the intersection of sometimes conflicting interests between the commercial and competitiveness requirements of road freight movements and issues such as public health, traffic congestion and climate change. As a result, it is essential that the legitimate, and highly regulated, commercial road transport sector does not have to compete with operators who are not adhering to all the regulations and operate at an unfair commercial advantage.

Conclusion

The haulage industry in Scotland is at a very serious competitive disadvantage compared with its European counterparts. Furthermore, this situation has been brought about by a combination of all the factors and issues mentioned above, none of which can be addressed by the operators themselves.

The recently published findings of the Burns Freight Taxes Inquiry have shown that that HGV operating costs have been rising at above the level of inflation for many years. Their findings show that since 1995 vehicle-operating costs have risen by 43% (for a 38 tonne gross vehicle weight articulated vehicle) whilst inflation for the same period was 31%. This makes it difficult for operators to gain rate increases from customers, who have seen prices fall as a result of Sterling’s strength against the US Dollar and the Euro, combined with a relatively stagnant Euro economy. Many Scottish businesses will not or cannot pay all the increases Scottish hauliers need to sustain their businesses because they too need to remain competitive. During this same period UK domestic rates have only increased by 22%.

It is therefore essential that those in authority address the present situation as soon as possible, or Scotland will see yet another sector of industry die and be replaced by foreign based operators, who are largely unregulated when plying their trade within these shores. Not only will the economy be adversely affected, but safety will be compromised and the long term effect will undoubtedly be bleak.
There is not enough space in four pages to do justice to the concerns of hauliers and other issues such as, Illegal use of fast agricultural vehicles, the role of rail freight, proposed relaxation of state aid rules for the haulage industry to mention but a few will hopefully be fully covered by this inquiry.

Phil Flanders
EWS written evidence to the Local Government and Transport Committee

Freight Transport Inquiry

EWS is Britain's largest rail freight operator, providing over 1,000 services a day and hauling an average of 100 million tonnes of freight per annum.

EWS is pleased to provide the Local Government and Transport Committee with the following comments for their inquiry into freight transport.

If there are any queries on this submission, please contact Graham Meiklejohn, EWS Media and Public Affairs Manager, on 0870 140 5795.

This evidence was submitted to the Committee on 1 December 2005 by e-mail.

This inquiry is being conducted under the on-going development of the Transport Agency for Scotland and the current consultation for the Scottish Executive's rail freight strategy.

Future prospects for the Scottish road haulage industry and the impact of changes affecting the industry on the Scottish economy

For the movement of goods, an efficient and successful road haulage industry is important. However, road haulage is one of a number of transportation modes that can be used for the delivery of goods, which can also involve rail, water and air. EWS fully agrees with the view of the Scottish Executive that good transport links are important for growing Scotland's economy.

However, the movement of freight is subject to local, national, European and international pressures which affect costs and working practices. Some pressures are directives from Europe, such as the Working Time Directive, while others are part of the global economy, such as the rise in fuel prices.

The costs faced by the road haulage industry are also costs which have been faced by the rail freight industry. The road haulage industry accepts its role as a majority provider of freight services, but should also recognise that it needs to adapt to meet changes in society, which are more aligned with reducing congestion, improving efficiency and reducing the harmful effect of pollution in the atmosphere to offset climate change. Customers want their goods delivered at a lower cost, often working to a just in time framework.

Road hauliers facing increasing costs do have an escape route. Rail provides a high-speed bypass that allows the road haulier to retain its customer, with the goods delivered, in part, by rail to reduce costs. Road and rail freight operators need to work together to assist each other. It is not a case of road versus rail as road hauliers increasingly see rail as a viable solution to increasing road costs. Rail and water transportation cannot provide all the solutions for the road haulage industry, but they are providing an important option for road hauliers who see the need to diversify their transport requirements.

EWS has developed a number of services for John G Russell. Russells is a successful Glasgow based road haulier which has recognised that by contracting services from EWS it provides them with a competitive edge over other road hauliers. Moving goods to and from terminals is handled by Russells, with the long distance trunk operation carried out by EWS. This enables Russells to retain and win new customers by using road and rail to lower costs
and provide a faster service. There are a number of other road hauliers who are working with EWS on similar transport options.

Large retailers are considering where rail can complement their existing road haulage services. The trials by Tesco of rail freight services from central Scotland to Inverness earlier this year were a success. EWS is now working with Tesco on their plans to introduce regular rail freight services to Inverness and Aberdeen from the central belt.

On a wider scale, it is impossible to remove lorries from the equation when you are working to increase rail freight. EWS wishes to provide its customers with a one-stop shop that will take in rail as well as road. The company is currently looking to partner with road haulage operators who share this vision, but if operators cannot be found, EWS would be comfortable starting up its own road haulage division.

A greater element of partnering between the modes of road and rail will lower transport costs for business, which is good for the Scottish economy.

60-tonne lorries

The road haulage industry is pressing the Department for Transport to raise the current weight restriction for lorries from 44 tonnes to 60 tonnes. EWS has a number of concerns over the introduction of heavier lorries, these being:

- Road damage - both the absolute weight and the repetitive effect of axles carrying a heavy weight will cause damage to the road surface and supporting structures
- Manoeuvrability - the length of the vehicles will cause intrusion into other road space and non-road space when turning. This has significant safety implications
- Length - the increased time to overtaking a longer vehicle on a single carriageway will increase the risk of collision with traffic travelling in the opposite direction. On a dual carriageway or motorway it will take longer to overtake a lengthier vehicle thus increasing congestion.
- Application - EWS understands that the advocates of heavier lorries have stated that they will only be used on motorways. Given that very few origins or destinations of freight are directly accessible from the motorway we cannot see how this limitation will work. In practice we would expect heavier lorries to be using unsuitable non motorway routes.

EWS’s specific concerns relate to the impact on rail freight of 60 tonne lorries:

- Amongst rail freight’s competitive advantages is its ability to carry higher weights than permitted on the road. Whilst we accept fair modal competition we would object to unfair competition created by a change in Government regulations.
- A step change in Gross Laden Weight will allow a step change in the ability of road haulage to move heavy products. The change from 40 to 44 tonne glw lorries allowed certain products, such as a steel coil, to be conveyed by road. Previously a lorry could carry only one steel coil, now they can carry two. A change from 44 tonnes to 60 tonnes or greater will permit other heavy products to move by road.
- The additional length of a 60 tonne Gross Laden Weight lorry will allow three twenty-foot ISO containers to be conveyed, rather than two as currently permitted. As with heavy products, this represents a step-change. This will significantly weaken rail’s competitive position for the haulage of deep-sea maritime containers.
- The proposed increase in Gross Laden Weight comes after successive increases that have seen HGVs increase in size and weight in stages in recent years. If 60
tonne lorries are permitted then the expectation will be for a further increase after a few years, and yet more increases in the future.

- The combined effect of Government/Scottish Executive inspired support for the road haulage industry will be to deter future investment in rail by end-users and thus to further weaken rail’s overall competitiveness.

If 60 tonne lorries are approved, EWS argues that an increase in lorry weights should be matched by an increase in the maximum permitted axle weight for rail vehicles from the current 25.5 tonnes to the norm in North America of 36 tonnes. However, officials in the Department for Transport have stated that any incremental costs caused by such a change would have to be borne by rail freight operators. It is not clear to us whether the incremental costs caused by 60 tonne lorries would be recovered from road hauliers, creating a further imbalance between the two modes.

Present and potential contribution of all modes of transport, including road, rail, water and air, including their environmental impact

Rail freight operates in the private sector. It receives no general subsidy, but where it does Government support is restricted to demonstrable environmental benefits and represents around 4% of the rail freight industry turnover.

Rail freight pays the incremental wear and tear costs that it imposes on the rail network, whereas road hauliers do not. Rail freight activity across Britain has grown by 60% in the last ten years and, depending on the type of traffic being hauled, an average freight train avoids the need for around 50 lorry movements.

Rail freight services currently avoid the need for over 20 million lorry movements per annum. The operation of rail freight services also improves road safety and reduces costs of the National Health Service, as without these rail freight services the additional volumes of road movements would increase the risk of road accidents.

The National Atmospheric Emissions Inventory database shows that a tonne of freight conveyed by rail generates significantly less emissions than if conveyed by road. Taking a typical freight train, with a payload of some 1500 tonnes, when compared with the equivalent lorry-loads, the use of rail produces 11% of the carbon monoxide, 17% of the nitrous oxide, 16% of the PM10s, 10% of the volatile organic compounds and 37% of the carbon dioxide. Rail freight makes a significant contribution to the environment when compared with the alternative of road haulage.

EWS has been developing a number of plans to increase the length of its freight services in order to deliver more goods to customers per train than before. This has seen an additional 4.3 million tonnes of additional haulage capacity across Britain being created for the coal industry by running longer trains - avoiding the additional costs of operating additional trains. In Scotland, trains to Longannet Power Station in Fife have increased in length by 33% to 39 wagons per train.

By continually reviewing its service offering and improving efficiency, such as operating longer trains, EWS is able to make rail freight services more attractive for its customers, whilst also providing society with the benefits of operating these trains. This makes an important contribution to the economy of Scotland, where downward pressures exist on hauliers to reduce costs.

There are over 600 locomotives used in Britain by rail freight operators. Whilst some of these were built between 20 and 40 years ago, nearly 70% of the locomotive fleet was built within the last six years, conforming with modern environmental and noise regulations. The main freight locomotive of choice within Britain, the class 66, has continually been modified and updated since it was first designed, to ensure that its operating efficiency and environmental performance continually improves.
Greater potential exists for road and rail freight operators to work together to complement each others services. Customers demand lower costs and the road haulage industry’s route to meet these demands is to partner with rail operators.

**Scottish Executive’s targets in encouraging the transfer of freight from road to rail and water**

At the Scottish Executive’s consultation meeting with the freight industry on 18 August 2005, the Minister for Transport and Telecommunications, Tavish Scott MSP, made two significant remarks.

The first being that the Scottish Executive wished to "ensure significant representation for the delivery of goods" and the second that "freight is now regarded with higher importance within the Scottish Government". The last statement needs to be backed by action to implement the commitments in the Scottish Executive’s freight strategy.

The freight facilities grant and the track access grant policies provide important funding for Scottish businesses to make the switch from road to rail/water for environmental and economic reasons. These grants should continue. The Scottish Executive could do more to promote these grants, whilst also developing policies to further assist businesses to switch to alternative modes of transport.

There is a need to protect strategic rail freight sites for future rail freight terminals. Key strategic sites, such as Mossend in central Scotland, Millerhill in Edinburgh and Millburn Yard in Inverness, are crucial in the development of additional rail freight services, particularly as these have good road connections.

With the Scottish Executive becoming responsible for a greater say in the outputs of the rail network in Scotland, EWS wishes to avoid the scenario where train planning and use of capacity on the rail network is directed for the benefit of one passenger rail operator. The rail network in Scotland is a mixed use railway and does not exist for one franchise holder. The enthusiasm to deliver for the passenger railway by the Scottish Executive must be matched by a commitment to deliver a railway that meets the needs of a growing rail freight market, such as providing additional capacity on routes such as the Glasgow & South Western.

It is essential that the Scottish Executive ensures paths are available 24 hours a day for freight services - this is fundamental for meeting their aspirations to grow Scotland’s economy and improve freight transportation.

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*EWS*
*1 December 2005*
Freightliner Facts

Freightliner is the UK’s largest mover of maritime containers by rail and run over 80 trains each week day conveying approx 32 containers per train. Freightliner also has one of the five largest road haulage fleets in the UK.

The Freightliner rail network connects 5 key deep sea Ports to 16 inland destinations one of which is Coatbridge Freightliner Terminal.

Coatbridge Terminal is the largest Intermodal rail terminal in Scotland and has capacity to handle around 130,000 containers per annum. There are daily services to and from Coatbridge to Felixstowe, Southampton, Tilbury, Thamesport and Seaforth.

In 1999 the Terminal throughput was in excess of 113,000 containers however the effects of Hatfield in October 2000 were severe and volumes dropped to a low point. Volumes are now recovering.

Scotland’s exports connect with the large container vessels at major Ports for transportation to world markets. The UK ports share of the Northern European market has shrunk from 25% to 20% between 1995 and 2004. Freightliner provides connections direct to UK Ports rather than supporting continental Ports such as Rotterdam or Antwerp.
Mr Euan Donald
Assistant Clerk
Local Government & Transport Committee
The Scottish Parliament
EDINBURGH
EH99 1SP

Our Ref: ABM/AL

27 February 2006

Dear Mr Donald

FREIGHT TRANSPORT INQUIRY

Further to your letter of 9th February 2006, I note below some brief summary points which I would be happy to discuss in further detail at our meeting on 7th March.

Background of The Malcolm Group

The Malcolm Group was founded in 1925 when the present Chief Executive’s grandfather started up a coal business in the Brookfield/Johnstone area.

The business now employs over 1,800 people and is split into two divisions – Construction Services and Warehouse and Distribution. The annual turnover is in excess of £130M.

The Construction Services Division includes, tippers, plant machines, re-cycling facilities and coups. This division is situated mainly in West/Central Scotland.

The Warehouse and Distribution Division covers the whole of the United Kingdom with 12 sites situated throughout the country and over 3 million square feet of warehousing (including bonded warehousing).

Points for Discussion

- We as a company have developed our road/rail options over the last 4/5 years and have brought to the sector a totally integrated road and rail option. We would also complement the Scottish Executive for their support and would encourage grants to be maintained and developed going forward.
Fuel costs and duty – this has increased as an overall percentage for our cost base from 31% to 34.6% over the last two years. This is a massive increase in a cost over which to a great extent we have no control.

Our UK customer manufacturing base has struggled to pay the taxes imposed on them – aggregate tax, energy tax, cost of gas etc – and this has resulted in them not paying our increase costs and in fact as is usual the first port of call to reduce their overall costs is road transport.

Road congestion – although we run a large percentage of our fleet as double shift, we have seen our productivity reduce by over 20% in the last 4/5 years in doing exactly the same job – i.e. whereas previously we would get 8 loads tipped in a day, now due to congestion, this has reduced to 6 loads, although the travel mileage has not altered.

Working Time Directive – being in a reactive service sector and although a current relaxation exists on POA, I do not believe the WTD was thought through in full and the on-costs currently coming through are not sustainable in a sector already very much restricted by legislation.

Speed limits – although we recognise that trucks do get blamed for a majority of damage/accidents, nowadays with the technical and environmental advances made by truck manufacturers, we would encourage a re-visit of speed limits on certain roads.

Rail – we would encourage investment on rail infrastructure especially on alternative routes other than the West Coast Main Line.

Yours sincerely

Andrew B Malcolm
Group Chief Executive