5. Role of the Scottish Government

Overview

32. Under executive devolution, the Scottish Ministers have statutory powers to set a strategy for Scotland’s freight and passenger rail services. They also have the power to specify and fund outcomes for rail, primarily through the Office of Rail and Road’s (ORR) periodic review of Network Rail’s outputs and funding requirements, and the letting of the ScotRail and Caledonian Sleeper franchises.

33. Rail freight operates within a commercial market with freight operating companies and third party logistics providers providing services to customers under contract. While the industry itself plays the lead role within this commercial environment, we also see a role for the Scottish Government in supporting innovation, facilitating partnerships and collaboration, promoting the benefits of moving goods by rail, making targeted investment which will deliver wider economic, social and environmental benefits and facilitating synergy between freight and franchised passenger operations. This chapter explores this further.

INNOVATION: Supporting Innovation

34. Scottish industry has a long history of innovation, both technical and commercial. We want to give the rail freight industry the tools and also the space to develop the right solutions to exploit the opportunities and address the challenges of an evolving industry and changing markets. That is why we will work with the industry to consider the value of establishing a rail freight innovation fund for Scotland within the boundaries of the legislative powers and state aid remit available to us.

35. We are also keen for the industry to come forward with proposals for pilot initiatives, in particular in those areas where we see the greatest opportunities for growth (see Chapter 4). Where appropriate, and subject to UK law and State Aid rules, the Scottish Government may consider financial support, provided that the initiatives have a very clear plan to achieve sustainability and to be self-financing in the medium to longer term.

FACILITATION: Facilitating Partnerships and Collaboration

36. There are two aspects to this:

- Strategic partnerships where the industry, the regulator and the Scottish Government come together to consider the key issues affecting Scottish rail freight as a whole.
- Collaboration between industry players in order to facilitate the efficient movement of goods.

Strategic Partnerships

37. There are a number of groups within Scotland which look at the main strategic issues facing rail freight and the wider logistics sector:

- **The Scottish Freight & Logistics Advisory Group (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.
• **The Scotland Freight Joint Board**: provides a collaborative governance structure which puts the industry at the centre of planning and investment decisions. A sub-group of the Scotland Freight Joint Board provides oversight and governance of the Scottish Strategic Rail Freight Investment Fund (see page 18).

• **The Freight Working Group** attended by licensed freight operators and Network Rail to identify and progress freight projects and enhancement opportunities.

• **Scottish Rail Industry Planning and Advisory Group**: provides advice to the Scottish Government on future planning priorities and the delivery of the current rail infrastructure programme.

38. Scotland’s rail freight interests are also represented on a number of GB wide groups:

• **Network Route Utilisation Strategy Freight Working Group**
• **Freight Industry Steering Group**
• **Department for Transport Rail Freight Forum**
• **Strategic Freight Network Steering Group**

39. We are of the view that the current structure for strategic partnerships in Scotland and with the GB-wide industry strikes the right balance between meaningful engagement, time and resource, but as a matter of good practice will continue to keep it under review.

**Collaboration between industry partners**

40. A recurring theme during our discussions with the rail freight industry was the potential benefits of collaboration between freight service providers. For example, joint freight movements can improve efficiency, reduce costs and help to free up network capacity. Given the commercial nature of the freight industry, the role of the Scottish Government in this is limited. However, we challenge the industry to further examine areas where collaborative working can benefit freight users and potentially unlock new markets. Where possible, we would consider supporting such initiatives provided that the business case was robust and sustainable and in line with State Aid rules.

**PROMOTION: Promoting Rail Freight**

41. Emerging evidence from Scottish Government commissioned research into the transport needs of the Scottish growth sectors suggests that there is a lack of awareness among Scottish businesses, in particular small to medium sized enterprises, about the potential benefits of using rail freight and how to access providers. There is also a perception that accessing rail freight services is complex, in particular compared to the ease of putting a lorry onto the road network. This echoed comments which we have received from the rail freight industry itself. Recent discussions with the rail industry have identified the need for a web based portal which could for example provide detailed information about freight timetables, loading capacity, available capacity on the network and contact details of logistics companies. Again we would look to the industry to lead on this work and we will support it where we can within the confines of State Aid rules.

42. Another recurring theme from those discussions was a concern around a lack of proactive messaging on the social and environmental benefits of moving goods by rail. The strong view was that enabling the industry to do so could help to make rail freight a more attractive option for businesses.
43. We are keen to promote the use of rail freight in Scotland in this context and will support this through the following actions:

- We will work with colleagues across the Scottish Government to create a clear understanding of the benefits of rail freight and how this can help to support strategic development and the delivery of national outcomes. In particular, national planning, transport and environmental policy and public procurement.

- We will look to work with the industry to help them develop a strategy to reach out to businesses across Scotland and those serving Scottish markets to outline the broader economic and environmental benefits of using rail freight and to demystify the perceptions of complexity.

**STRATEGY & PLANNING**

*Strategic planning of the rail network*

44. As part of the Long Term Planning Process and complementing the published Rail Freight Market Study, Network Rail is also preparing the Scotland Route Study to assess the capacity and capability of the rail network and how this reflects current and projected demand for both freight and passenger services. This is a key input to the periodic review process and we will continue to work collaboratively with Network Rail, the wider freight industry, and other key stakeholders to ensure the analysis and any investment proposals that emerge from it properly reflect strategic priorities for rail freight in Scotland.

**National Planning Framework**

45. National Planning Framework 3 is the Scottish Government’s spatial expression of our economic strategy. It brings together our plans and strategies in a range of matters, including transport and climate change to provide a coherent vision of how Scotland should evolve over the next 20 to 30 years. In preparing development plans, planning authorities should take account of National Planning Framework 3, including the national developments which are designated within it. National Planning Framework 3 is clear that our international gateways need to be supported by the right infrastructure. It also recognises that as well as having a role in reducing the carbon footprint of freight, rail networks are likely to be increasingly important as export potential grows in our transition to a low carbon economy.

46. Scottish planning policy sets out how nationally important land use matters should be addressed and supports the implementation of National Planning Framework 3. The policy is a relevant consideration for planning authorities when preparing development plans and making decisions on planning applications. It encourages consideration of the need for improved and additional freight transfer facilities as well as the identification of suitable locations for new or expanded rail and intermodal freight interchanges, in the preparation of development plans.

47. Action 27 of National Planning Framework 3 commits the Scottish Government to working with the freight sector to identify priority developments for inclusion in National Planning Framework 4. This work commenced in 2014 and we continue to engage with the sector, including rail freight on this within the broader operational context of the network as a whole.
INVESTMENT: Targeted Investment

Investing in the rail infrastructure – supporting a Scottish Strategic Freight Network

48. The Scottish Government has a strong track record of investing in Scotland’s railways, with over £6 billion invested in rail infrastructure and services since 2007. For freight, investment in the rail infrastructure has supported new lines, new electrified routes, additional gauge clearance, and other enhancements that have helped improve the network capacity and capability for freight traffic.

49. The current £5 billion investment programme (which runs until 2019) includes the Edinburgh to Glasgow Improvement Programme (EGIP), Highland Main Line Phase 2, Aberdeen to Inverness Phase 1, and a wider rolling programme of network electrification that includes the Glasgow to Edinburgh via Shotts route, which will all bring new and improved opportunities for freight traffic. EGIP and Shotts electrification and related infrastructure works will allow more freight services to run with modern electric traction, helping increase power and haulage capability, providing viable diversionary routes, bi-directional working in key related locations, and helping improve freight performance and journey times, particularly for key cross border flows to and from terminals across central Scotland.

50. In the current rail funding settlement to 2019 a £30 million Scottish Strategic Rail Freight Investment Fund (SSRFIF) administered by Network Rail through the Scotland Freight Joint Board - has been made available for specific enhancements projects. The SSRFIF supports increased spending on strategic infrastructure enhancements to encourage growth in rail freight and facilitate modal shift from road to rail. It also positions the rail freight industry at the heart of the governance arrangements, allowing operators to work with Transport Scotland and Network Rail to direct investment on schemes that can help improve competitiveness, grow existing markets, and develop new ones.

51. The principle of a ring-fenced strategic freight fund, which is governed by the industry and demonstrably supports broader economic and social objectives for Scotland, is one that the Scottish Government will continue to support and will inform our approach to specification through the periodic review process beyond 2019.

52. Developing the rail network capability north of the central belt also remains a priority, particularly on the Highland Main Line between Perth and Inverness, and the other intercity routes to Aberdeen. Investment to 2019 will support some additional increased double tracking between Aberdeen and Inverness whilst a combination of some double track sections and longer passing loops on single line sections are expected to be delivered on the Highland Main Line. Substantial improvements to these key intercity routes, including additional gauge clearance and capacity to operate longer length trains, will continue beyond 2019 in line with the Strategic Transport Projects Review (STPR) recommendations and options identified through the industry’s long-term planning process. Taken together with a focus on considering making available freight paths to better align with customers’ needs, these improvements will help provide the scope for the rail freight market share to increase through the carriage of more intermodal traffic as well as key Highland exports such as whisky and timber.

53. The Scottish Government is committed to a rolling programme of rail electrification, recognising the key benefits it brings in terms of improved journey times and connectivity to cities, environmental benefits and reduced industry costs - particularly on the intercity network, including north of Perth to Inverness and Central Belt to Aberdeen. An electrification strategy is being developed that sets out our assessment of priorities for the roll-out of this programme.
The development of a new strategic East Coast cross border freight corridor is a key aspiration, both as a viable alternative route for existing traffic and as a means of tapping into the growth in goods and containerised traffic entering the deep ports, particularly at Teeside and Humberside. Planned upgrades to signalling and securing the necessary gauge clearance to support associated traffic between Berwick and Edinburgh and connections through to the WCML are a vital step forward. A commitment to electrify the Edinburgh South Suburban route will help fully unlock these markets and, accordingly, will be a priority for investment from 2019 subject to confirmation of the business case.

**Carmuirs Twin Tunnel Scheme, Spring 2015 Scottish Strategic Rail Freight Investment Part-Funded Project**
A holistic approach to investment

55. Feedback from the industry has been that they value highly stability and certainty in the infrastructure investment programme. We remain fully committed to the current programme which runs until 2019, and planning work has already begun for the period beyond that. However, we also want to work with the industry to broaden the scope of potential investment beyond the traditional towards the innovative, seeking out best value and a whole systems approach, ensuring that investment in track and train is fully aligned.

56. In the current climate the Scottish Government cannot, however, fund rail freight interventions in isolation. To maximise the impact of our investment there has to be a commitment from the industry to match that through investment in their own facilities and equipment, such as electric traction and modern terminal facilities to better meet market demand. It is also of critical importance that, working with the industry, we are able to fully demonstrate the value to Scotland of continued investment in rail freight, including continuation of the SSRFIF Freight grants

57. Scottish Government freight mode shift grants continue to help companies to transfer their goods from movement by road onto more sustainable modes such as rail. The grants enable companies to offset the additional costs of building new rail freight handling facilities, securing handling equipment or storage as well as operating new freight services. Through the Freight Facilities Grant, over £44 million has been invested in 23 rail freight facilities across the country - from Dunbar to Fort William and Ayrshire to Inverness, removing over 170 million lorry miles from Scotland’s roads. Additionally, since 2007 the Scottish Government has provided Mode Shift Revenue Support to the rail freight industry (including contributions made to the Department for Transport for the Scottish component of cross-border flows) totalling over £5.7 million - a crucial factor in supporting growth of supermarket intermodal rail freight traffic in Scotland.

58. It is clear that the industry supports the retention of the Freight Facilities Grant and Mode Shift Revenue Support scheme. These grants operate within a competitive commercial environment and state aid requirements must be respected. Transport Scotland’s Freight Grants Team will continue to advise industry over scheme details from the early stages of project development, and will ensure the efficient processing of applications.

59. During our workshops there were suggestions that some rail aspects not currently eligible for freight mode shift grant support should also receive public support. The Scottish Government will work with the rail freight industry to ensure a fuller understanding of these aspects and remains open to ideas for alternative viable options in accordance with both domestic and European legislation.
**Actions**

- To work with the industry to consider the value of establishing an innovation fund.
- To support the industry to identify opportunities for pilot initiatives for rail freight.
- To work with colleagues across the public sector to create a clear understanding of the benefits of rail freight.
- To support the industry to develop a strategy which reaches out to business to promote the benefits of using rail freight.
- To continue the work started in 2014 with the freight sector to identify priority developments for inclusion in National Planning Framework 4.
- To continue a targeted programme of investment in the strategic capacity and capability of the rail infrastructure in Scotland.
- To work alongside industry partners to agree a common understanding of the scale and extent of the Scottish Strategic Freight Network.

**Didcot to Mossend: DBS Intermodal Service**