



Report to Partnership Meeting of 6 June 2008

STUDY OF FREIGHT POTENTIAL ON THE CALEDONIAN CANAL

SUMMARY

The Marine Freight Study completed early in 2007 recommended that HITRANS should undertake a detailed assessment of the potential of the Caledonian Canal for freight. Tribal was appointed in November 2007 to carry out this assessment. Two significant freight flows were identified, northbound 63,000 tonne pa of raw timber, and southbound 36,000 tonnes pa of fish feed. There are no constraints on the Canal against securing these flows, but there is no vessel of suitable size (600 to 1,000 tonnes) available at present. However Canal freight costs are not competitive with road largely because of the double handling required and imbalance of movements, and Tribal has concluded that under current and foreseeable market conditions, even with maximum government grant, a freight service is not commercially viable at present. This is disappointing and HITRANS should consider piloting a long term “sustainable distribution strategy” for the area served by the Canal.

RECOMMENDATIONS

- Refer the report to the Scottish Government highlighting that grant levels are insufficient at present to make the Canal commercially attractive.
- HITRANS take the lead in bringing together the Scottish Government, Councils, BWB, and key stakeholders in the transport and business sectors to pilot the development of a long term “sustainable distribution strategy” for the area served by the Canal.
- BWB lobby the Scottish Government to promote the provision of suitably sized new vessels for the Canal and the coastal trade.

DETAIL

1. One of the recommendations of the Marine Freight study completed early in 2007 was to undertake a detailed assessment of the potential of the Caledonian Canal for freight. A study brief was advertised for consultant proposals and Tribal was appointed in November 2007 for a fee of £15,000. The brief is in two parts. First the consultant is to assess current and potential freight flows through the Great Glen corridor including movements between the North Sea and the West of Scotland/Irish Sea. Second the consultant is to determine the extent of this traffic suitable for carrying on the canal bearing in mind the physical/vessel constraints of the waterway, and the competitive freight costs between the canal and road.
2. Tribal's report has been finalised. Key findings are:
 - Potential freight flows are northbound 63,000 tonnes pa of raw timber, and southbound 36,000 tonnes pa of fish feed. Following extensive business surveys by Tribal meetings with the client group comprising HITRANS, BWB and HIE considered a wide range of other potential traffic but concluded, with the exception of some smaller flows of quarry product, that these are the only realistic freight flows at present.
 - There are no physical or operational constraints on the Canal against securing these flows, but there is no vessel of suitable size (600 to 1,000 tonnes) available at present.
 - Presently the Canal freight costs are not competitive with road. Road is estimated at £12 per tonne for the 70 mile journey whilst the canal would be £19 per tonne. Double handling of canal cargo on to road vehicles at origin and destination accounts for £6 per tonne of the estimated Canal freight cost.
 - Current FFG and WFG can provide grant aid to the Canal to reduce both the capital costs of a new vessel and the annual running costs, but even the maximum government grant available will not bring rates down to the road haulage level.
3. Tribal's conclusion is that under current and foreseeable market conditions a freight service is not commercially viable. A sharp increase in road freight rates could change this position. This conclusion is disappointing but realistic at present. We need to review the calculations once the current volatility in fuel prices has settled down and the impact on road haulage charges has worked through
4. It is also disappointing that we could not identify more potential freight flows. For example the movement of municipal and commercial waste between the Moray Firth and the west coast using water transport for tertiary treatment is not encouraged in current plans, but should be worthy of more consideration, particularly if waterside treatment and transfer locations can be identified to reduce double handling costs.

5. The Scottish Government's aim is to shift more freight to rail and water but it is clear from this study that grant aid alone will not bring about this shift. More joined up action is required to positively plan for use of the Canal for freight transport in the future. The National Transport Strategy proposes actively to promote sustainable distribution strategies aimed at enabling freight to move from road to rail and water. The area served by the Canal is an ideal place to develop a "sustainable distribution strategy". HITRANS might consider taking the lead in bringing together the Government, Councils, BWB, and key stakeholders in the transport and business sectors to pilot this concept.

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