

Report to Partnership Meeting 5 October 2012

RESEARCH AND STRATEGY DELIVERY

EUROPEAN PROJECTS

Food Port - Lifting the Spirit



Summary

The Report provides Members with an update on progress in promoting a trial of moving whisky product by rail between Moray and the Central Belt through the FoodPort Project which has been developed as part of the North Sea Region INTERREG IV Programme.

Project to date

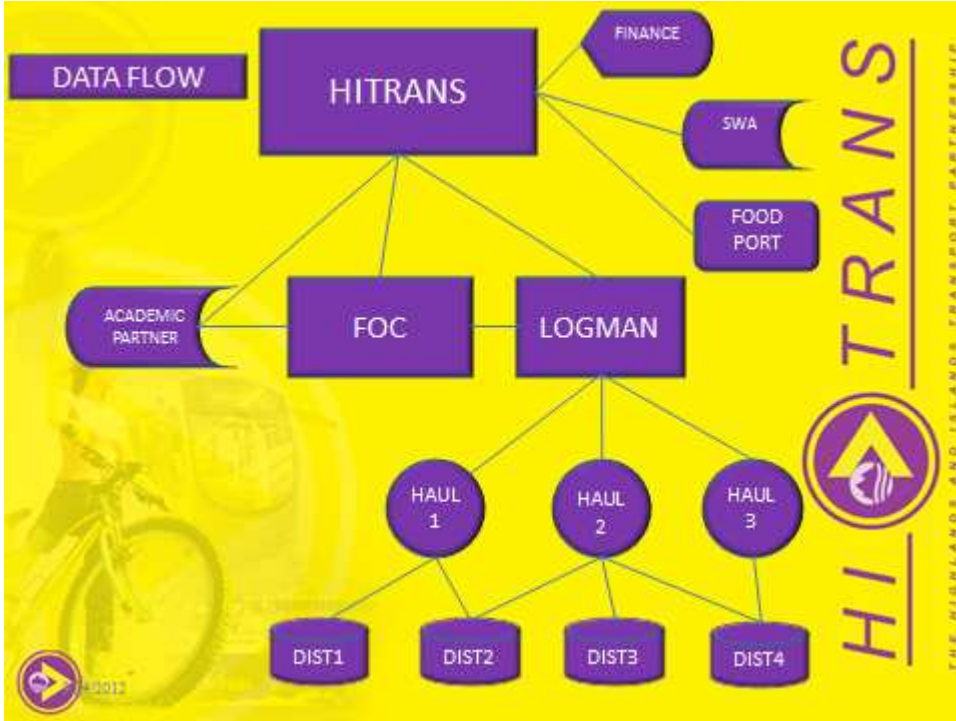
1. Meetings have been held with SWA Distribution Network, and individually with Edrington, Glen Moray, Chivas and Diageo. Volumes and destination information shared will be used to inform the project plan.
2. Expressions of interest have been sought from rail freight operating companies regarding the rail movement of spirit. Three have responded.
3. An engineering study of Elgin Yard has been commissioned to determine what investment is required for the traffic to run. The Yard is operated by DB Schenker.
4. Discussions have been held with Network Rail and D BSchenker on rail access.
5. A presentation was made to Foodport partners in Gothenburg in June.
6. A haulier has been asked to quote for a 33000 litre ISO tank and drop skeletal trailer to visit distilleries and determine access and loadability at individual locations. This will be completed within the next few weeks.

7. A rail engineering consultant has been asked to identify a programme of minor works at Elgin Yard to facilitate a successful trial.

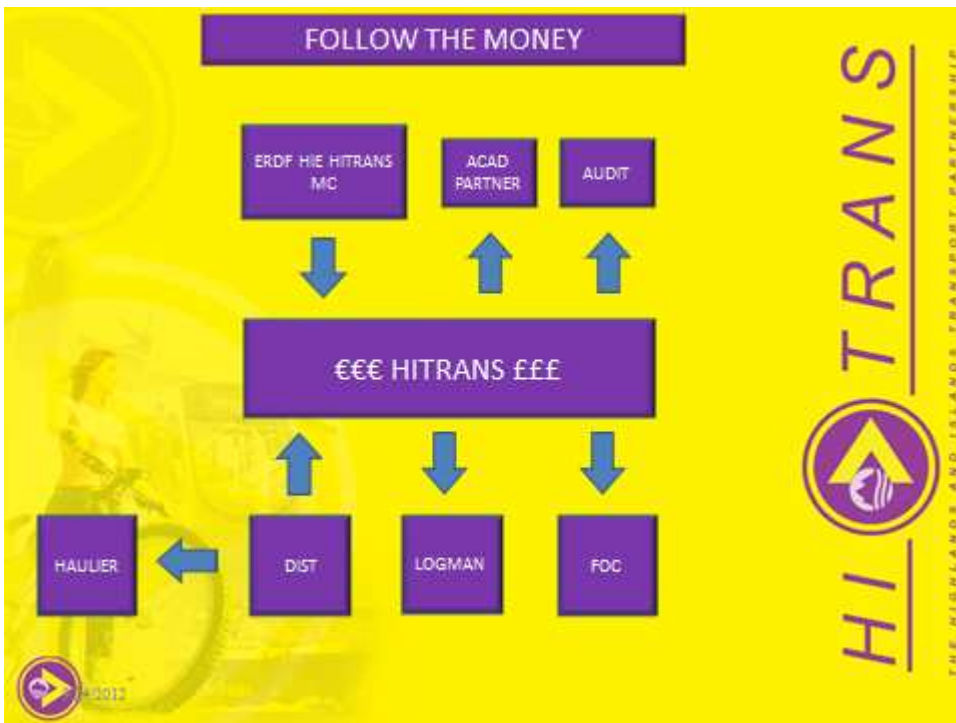
Next steps

8. HITRANS will issue an Invitation to Tender (ITT) to invite rail freight operating companies (FOCs), who have responded successfully through an Expression of Interest process via Public Contracts Scotland, to submit prices for rail haulage to specified destinations and wagon hire of c.28 no platforms. Tenders will be sought on the basis that the train may run loaded with 10 twin wagons, loading 20 tanks, while 4 wagons will remain at Elgin as buffer stock. The tender will be designed to maximise flexibility and optimum delivery, as trains will run until funds are depleted, and every effort will be made to service as many distilleries as possible. Access to the rail network through Elgin Yard will be specified. The FOC will be expected to work with Network Rail to ensure optimal pathing.
9. HITRANS will seek the services of a logistics manager (LOGMAN) to oversee the leasing of 33000 litre tanks and their deployment to Speyside sites for loading and transporting to the railhead at Elgin, and for overseeing the delivery, return, and cleaning of tanks where required in Central Scotland. LOGMAN may also be involved in facilitating lift on/lift off arrangements. LOGMAN will handle the transfers of liability between hauliers but it will be for the distillers themselves to manage collection and delivery through their existing supply chain contracts. LOGMAN will also oversee security arrangements at Elgin Yard, including compliance with Customs and Excise, WOWGR registration and Movement Guarantees. A small sub-pool of 22000 litre tanks may be procured to service sites with restricted loading if funding permits.
10. A Project Subgroup of distillers will be established in addition to a Project Steering Group comprising HITRANS, HIE and Moray Council.
11. Supply of financial information and cost control will be critical to the success of the project. Suppliers must be paid timeously. Distillery owning groups will be asked to provide HITRANS with information on their costs for existing road movements to and from Central Scotland. These will be treated as commercially confidential, but are required by HITRANS to calculate the difference between road only, and road-rail-road costs, to ensure revenue-neutrality from the Distillers' perspective.
12. The services of an academic partner will be procured to identify and quantify the environmental benefits that have resulted from the change to the sustainable distribution method delivered through the trial.
13. All findings- cost, environmental, performance etc will be shared with the Scotch Whisky Association, the wider industry and FoodPort partners.

14. The flow of data within the project will be as below.



15. Project funding and payment flows will be as below.



16. The project budget for deliverables with current estimated costs is detailed below. This will be updated as tenders are accepted and the extent of the work that can be completed within the trial is established.

Lifting The Spirit- Proposed Budget

Item	Costs €
Logistics Mgt	35000
Track Survey	1000
Traffic analyst	10000
Environmental consult	10000
Travel/accom	2000
2 x group meetings 4 x steering	2000
PR	1000
Yard works	20000
Loco/wagons net of distillers contribution	50000
ISO tank hire	50000
Lifting	15000
Security	10000
Audit costs	4000
Total Expenditure	210000
ERDF	97000
HITRANS	60000
HIE	30000
Total Income	90000
Funding total	187000
current funding deficit	-23000

Recommendation

1. Members are asked to note the report.

Risk	Impact	Comment
RTS delivery	√	This project fits well with a number of RTS Horizontal themes.
Policy	√	This project has integration and environmental benefits.
Financial	√	This project expenditure will be managed within the partner funding available.
Equality	-	No impact on equalities issues.

Report by: Frank Roach
Designation: Partnership Manager
Date: 24th September 2012

About Food Port

Food Port aims to develop the North Sea Region (NSR) as the best food cluster and hub in Europe for food products delivered via efficient and sustainable transport systems e.g. 'green transport corridors'. Food Port brings together partners from six North Sea countries (Belgium, Denmark, Germany, Norway, Sweden and the United Kingdom) to find practical solutions to improve the efficiency, effectiveness and sustainability of the food supply chains. The Food Port project operates under the umbrella of the INTERREG IV B - North Sea Region Programme, part of the European Regional Development Fund. The project started on September 1st, 2010 and runs until August 31st 2013. The total project budget is 4.9M€, of which the ERDF co-finances 50%. The project will investigate and develop green transport corridors for food products between regions around the North Sea. This will lead to concrete modal shift pilots along the identified green transport corridors and to the development of (new) food platforms or hubs. In order to improve the food-logistics chain, new technological solutions will be incorporated, such as a technical support platform.

Central Aims of FoodPort: Optimization and coordination of food logistic chains in the North Sea Region; improve the accessibility and transport logistic system of different food clusters in the North Sea Region; strengthen the food industry within the NSR: strategic position as FOOD HUB.

Food Port Priorities: Promote the development of multi-modal and transnational transport corridors; promote the development of efficient and effective logistic solutions.

Whisky by Rail Trial

Around 85% of all Scotch malt whisky is produced at the 77 malt distilleries which lie in the HITRANS area. Since the whisky industry currently accounts for the majority of Scottish food and drink exports, producers directly employ around 10,000 workers, with the industry supporting a total of 35,000 jobs. The industry contributes £2.7bn of 'Gross Value Added' (excluding its contribution to the Scottish tourist industry) and is expected to experience significant growth in the coming years, with investment in new production regularly announced.

Following our much heralded work on Whisky Logistics in 2011, HITRANS has submitted an INTERREG IVB bid to the Food Port project to fund trial movements of bulk spirit by rail. 50% intervention is available, with match funding anticipated from the private sector and ourselves and partners.

HITRANS is working through the Scotch Whisky Association with a number of distillers in Speyside to identify volume availability, location, distance from railhead, loading time, loading facilities etc. A plan will be devised for the efficient transfer of 16-20 containers of bulk spirit to move 2-3 times per week from Elgin to Central Scotland. Terminals at Elderslie, Mossend, Coatbridge and Grangemouth will be considered in order to minimise road delivery distance. Data from our Rail Freight Capability Study 2010 will be used to inform gauge, length and routing. The exercise will be cost neutral to the distillers. The first trains could run in autumn 2012 for 15-20 weeks.

HITRANS will tender for rail haulage and for container tank lease. Specialist consultancy may also be required. Initially rail freight companies will be invited to express interest and provide indicative costs before a preferred partner is selected. Road collection and delivery will be managed by distillers through existing contractual relationships.

The true costs of the rail operation will be established, and environmental benefits calculated. There will also be resilience, performance and road maintenance benefits. The environmental aspects of project will be audited by an academic partner. All data captured will be available to the whisky industry and to Food Port partners.

Appendix: Item 14 - HITRANS 'lifting the spirit' PROJECT RISK REGISTER - SEPT 2012

RISK MANAGEMENT - CONTROLS

DATE

- 25.09.12

Ref	Detail	Nature of Risk	Inherent				Residual				Owner	Actions	Comments 25.09.12
			Impact	Likelihood	Risk	Controls	Impact	Likelihood	Risk				
100 Strategic Risks - Project Delivery													
101	Stakeholders may not commit to the project	Organisational - Road freight haulage companies may see the work as having potentially negative impacts on their business	4	3	M	offering involvement through existing haulage arrangements through distillers	2	2	L	Project Manager	contacting involved distillers to ensure they can arrange road haulage element within existing commitments	done	
		Organisational - Whisky producers and related national interest groups may not see the project as central to their activity	5	3	M	close working with individual companies promoting the carbon benefits	5	2	M	Project Manager	keep industry stakeholders involved and up to date on progress. Clear leadership from HITRANS	achieved	
102	Funding may not be available to delivery the Project	Financial - EU partners do not approve the Project's inclusion in FOODPORT	5	2	L	no financial commitments made by HITRANS until all funding confirmed	2	2	L	Director	no contracts accepted or commitments made until all partner funding is confirmed	ERDF funding approved in principle 07.08.12	
		Financial - External Partners, public and Private sector, may not commit to the project	4	4	H	no financial commitments made by HITRANS until all funding confirmed	4	2	L	Project Manager	work closely with external partners to promote the benefits	HIE grant under consideration	

103	Outputs not delivered	Reputational political - the project does not deliver the indicated outputs	3	2	L	manage output commitments within funding and partner commitments	3	1	L	Project Manager	tender and supply processes put in place should guarantee outputs	all partners focussed on successful outcome
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200 Management/ Operational Risks

201	Inadequate staff resource available to carry out actions agreed by Board	HR/ financial	3	2	L	1. HR support in employing optimum staff compliment	3	1	L	Director	work shared between 2 project managers, consultants employed to undertake monitoring of output, all services tendered	
203	Actions taken on behalf of HITRANS exposes Partnership to corporate or financial liability	operational/ financial	3	2	L	good project management processes	3	1	L	Director		
204	Reliance on knowledge and actions of individuals may result in business failure if they leave or are unavailable	Human Resources	2	4	L	short term project	2	4	L	Director/ HR support		

300 Financial Risks

301	Expenditure exceeds budget	financial	3	2	L	regular reporting to Director and Board	3	1	L	Finance Manager/ Director	project cost to HITRANS is 16% of R+D budget, variations if required manageable within overall budget	
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302	Projects expenditure slips resulting in year on year funding discrepancy	financial	3	2	L	1. effective financial monitoring reporting and control systems in place to manage expenditure	3	1	L	Financial Manager/ Director	1. Regular reviews undertaken by Project Manager to monitor expenditure during year, meetings with Finance Manager by exception. Programmes varied by Board to reflect changes. Delayed expenditure could be met from funding slipped into future year budget in 2013/14
						2. HITRANS will work to meet its efficiency targets and reduce core costs					