

Strategic Timber Transport Scheme End of Period Statement

2005 to March 2008

Introduction

The purpose of this paper is to report on the progress of the Strategic Timber Transport Scheme (STTS) from introduction in 2005 to 31 March 2008.

Background

The original Strategic Timber Transport Fund (STTF) of £13m was introduced in 2005 and closed in March 2008. The aim of the Fund is to facilitate the sustainable transport of timber in rural areas of Scotland for the benefit of local communities and the environment, maximising the value of monies available through innovative projects and partnerships.

The STTS is a grant awarding process for which grants are assessed and awarded from the Fund to capital or start up projects, which through investment in rural transport infrastructure are expected to meet the following objectives:

- *Community and Social benefits.* Improvements to the forest transport network will help to reduce disruption to fragile rural communities and generate benefits for groups other than the timber transport industry, e.g. the tourism industry, agriculture and fisheries sectors.
- *Environmental benefits.* It is expected that investments would normally seek to reduce the number of lorry miles per tonne of timber transported to market on the public road network compared to present levels e.g. because of more efficient routing and/or the development of non-road transport modes such as rail and water, or from re-routing of lorries to avoid communities.
- *Reduced damage and disruption.* Projects will reduce damage and disruption to public roads not built for sustained use by heavy transport.

A secondary objective of the Scheme is to enable improved access to landlocked forests, whilst at the same time delivering the key objectives above.

The Fund also supports TimberLINK, which is a public service contract that provides subsidy to a maximum of £1M per annum for a shipping operation that removes up to one million lorry miles from the fragile and busy roads between Argyll and Ayrshire.

Forestry Commission Scotland manages the Fund and is aided in evaluation of applications to the Scheme by an Advisory Panel consisting of members of the Timber Transport Forum (www.timbertransportforum.org.uk). Ian Ross, Highland Council currently chairs the Panel.

Subsequently the Scottish Government has agreed to continue funding on an annual basis of £5m. This Fund will support the TimberLINK project to a maximum of £1m per annum, as well as finance existing commitments from the Scheme¹ and new projects.

Summary of Applications to date (31 March 08)

The STTS has been successful in identifying and supporting a diverse portfolio of innovative projects generated through numerous partnerships between the forest industry, local authorities and local communities. These include Rannoch Railhead, a floating pier infrastructure to enable shipping, numerous in-forest roads and maintenance upgrades of fragile rural public roads essential for timber haulage operations. A summary of applications received and projects awarded support are outlined in Appendix I.

Headline statistics are 38 applications received in this period, 4 have been rejected and 5 are under consideration. A further 3 have been granted award, but commencement has been delayed for various reasons, another 3 applications are currently under revision and 1 has been withdrawn.

To date, five projects have been completed and seventeen are currently active.

It is estimated that approximately 9.4M tonnes of timber will be transported more effectively in the next ten years as a result of these projects.

Environmental and Community Benefits

The following is a summary of the environmental and community benefits delivered by projects received up to March 2008.

Sea

One project has been approved that directly supports a sea transport operation in the north-west coast of Scotland. This initiative will collectively remove

¹ This is the process which awards support from the Fund

21600 lorry journeys from rural roads that are structurally fragile and extremely busy during the tourist season.

Rail

The Rannoch railhead project proposes to transfer road haulage operations to rail transport. For a small contribution of £65.8k it is anticipated 120,000t of timber, will be hauled by rail in the next 8 years instead of along a narrow fragile rural road that is heavily used by tourist traffic in the summer.

The Barrhill catchment project will support the proposed railhead initiative if it transpires, but at present it offers a significant stand-alone project to remove over 3900 lorry journeys per annum from rural local road networks.

Project/study

The scheme has approved five projects to improve on the understanding and impact of timber haulage:

- Study of the performance of Forest and Public Roads under construction to establish the safe capacity of weak public roads in terms of the safe numbers and frequency of loads.
- Technical and Financial Feasibility Study for a pier in Upper Loch Fyne to identify the preferred location for an additional facility to export timber from Argyll by sea.
- Round Timber Haulage Driver Training Programme: To develop and pilot a training course to provide specialist training for timber hauliers to improve safety and fuel efficiency.
- South of Scotland Timber Logistics Programme: To design, build and evaluate (over a two-year period) a timber haulage route scheduling and optimisation programme, incorporating digital data capture of supply and demand as well as web-based reporting.
- Moray Infrastructure Survey: To monitor and assess impact of timber traffic on key fragile rural public roads to ensure efficient maintenance plans.

Support officers

The Scheme has approved awards to contribute to four regionally based project officer posts to help develop strategic planning for timber transport including supporting STTS applications. These posts have been essential in supporting and delivering the aims of Regional Timber Transport Groups (Appendix III).

In-forest roads

The Scheme has approved awards to eight projects ranging in value from £37K to £2.9 million. These eight projects will ensure some 4.9 million tonnes of timber are removed from some of the fragile rural roads of Scotland in the next 10 years.

Public Roads

The Scheme has approved six projects ranging in value from £65K to £655K. These include operations such as upgrading sections of public road in order to better accommodate and/or allow timber traffic to bypass fragile rural communities and adding new passing places to enable better traffic flows. It is estimated that approximately 4.5M tonnes of timber will be transported more efficiently in the next ten years as a result of these projects.

Financial Expenditure and Commitment

1. On the 31 March 2008 the total potential² commitment to the original STTF budget of £13M was £13.4M including the monies used to subsidise the TimberLINK³ project.
2. The actual spend to date on the STTS is only £2.04M (not including £1.64M for TimberLINK).
3. The total potential commitment to the STTS at 31 March 08, excluding the TimberLINK subsidy, is £10.2M with an overall project value of £22.83M.
4. A financial summary of projects received to date is outlined in Appendix II, III and IV.

² Six projects were under consideration for award at the 31 March 2008.

³ Public Service Contract for shipping timber from Argyll to Troon.

Timber Haulage

It is projected that 9.4 million tonnes of timber haulage will be facilitated through these projects within the next 10 years.

Future funding

The Environment Minister agreed to extend the period of the fund for three years to March 2011 with an annual budget of £5m. This annual budget includes a maximum of £1M allocation to the TimberLINK public service contract. Therefore, there is £4M per annum plus any residual from the TimberLINK subsidy available to finance carry-over commitment and future business. There is no flexibility in carrying unallocated resources year on year, therefore, robust management of the projects will be required to ensure that all funds are used effectively and efficiently.

Table 3 illustrates the current projected expenditure profile of the Fund, accounting for commitments against budget for the next spending period.

Table 3.

	£M		
	2008/2009	2009/2010	2010/2011
STTS	6.8	1.8	1.6
TimberLINK	1.0	1.0	1.0
Fund	5.0	5.0	5.0
Net Position	-2.8	2.2.	2.4

Review

In response to a request by the Timber Transport Forum, an independent consultant reviewed the Scheme in early 2008. The Advisory Panel is currently discussing an action plan in response to recommendations and conclusions of the report. A copy of these is appended for information (Appendix V).

Audit

The Scheme has been subject to a two-phase audit from the Forestry Commission's internal audit team. Overall the Scheme was given a full compliance rating. Two recommendations for minor amendments to the process were received and agreed.

Conclusion

Although it took some time to attract applications, the Scheme was fully subscribed at the end of the period. It has been successful in attracting and awarding grants that deliver, in varying modes of transport and scale, the key objectives of the Scheme.

There is evidence from Regional Timber Transport Groups and from pre-submissions that there are still a number of strategically focused projects that will further contribute to significantly to the key objectives of the Scheme.

More detailed information on the STTS and associated projects can be found at www.forestry.gov.uk/forestry/infd-6w2f7a or contact:

Andy Leitch
Forestry Commission Scotland
231 Corstorphine Road,
Edinburgh, EH12 7AT
Tel - 0131 314 6159
Email - andy.leitch@forestry.gsi.gov.uk

Appendix I Detail of applications received and projects awarded

Project Title	Lead Applicant Name	Date Application Received	Amount Awarded	Potential Award	Current Position	Overall Project Value	RTTG Area	Date Award Made
Argyll Central Tyre Inflation	Argyll and Bute Council	30-Aug-06		£237,000	Being Revised	£355,000	Argyll	N/A
Facilitating Change In Forestry Industry Supply Chains, S S Focal Study	ConFor	01-Dec-06		£77,500	Being Revised	£118,500	D&G	N/A
Glenstriven Timber Haul Route	UPM Tilhill	01-Dec-06		£218,000	Being Revised	£396,700	Argyll	N/A
Glen Massan - B836 link	Scottish Woodlands Ltd	29-Nov-06	£44,085		Completed	£92,771	Argyll	29-Nov-06
Ardfern Bypass	J Robin Dixon	19-Apr-07	£39,990		Completed	£99,975	Argyll	19-Apr-07
Peaton Hill Link Road	Tilhill Forestry Ltd	01-Dec-06	£45,000		Completed	£90,000	Argyll	05-Sep-07
Moray Strategic Timber Transport Road Infrastructure Project	Moray Council	29-Aug-07	£65,000		Completed	£131,000	Grampian	20-Nov-07
Upper Loch Fyne Pier, Technical and Financial Feasibility Study	Argyll & Bute Council	31-Aug-07	£6,000		Completed	£12,000	Argyll	19-Nov-07
B8024 Tarbert Bypass	Argyll & Bute Council	13-Jun-06	£600,000		Delayed	£802,000	Argyll	12-Dec-06
Arran Link Road	Forest Enterprise	28-Nov-06	£318,000		Delayed	£623,680	Ayrshire	12-Mar-07
Hareshawmuir Road Project	UPM Tilhill	11-Apr-07	£37,000		Delayed	£120,000	D&G	N/A
Timber Transport Officer- S&T	Stirling and Tayside TTG	20-Apr-05	£25,000		Active	£34,000	S&T	04-Jul-06

South of Scotland Timber Logistics Programme	Scottish Enterprise Dumfries and Galloway	29-Apr-05	£68,900		Active	£457,645	D&G	04-Jul-06
Programme Manager/Officer (Argyll)	Argyll and Bute Council	29-Apr-05	£94,000		Active	£152,000	Argyll	26-Jun-06
Eskdalemuir	Tilhill Forestry Ltd	29-Apr-05	£2,918,448		Active	£4,468,448	D&G	02-Apr-07
Study of the performance of Forest and Public Roads under construction	Forest Enterprise	03-May-05	£232,500		Active	£336,500	D&G	27-Jun-06
Rannoch Rail Head	Tilhill Forestry Ltd	18-Aug-05	£65,820		Active	£165,670	S&T	09-May-08
Developing & Promoting a Timber Transport Strategy for the Highlands	Forest Enterprise on behalf of The Highland TTG	09-Jun-06	£43,333		Active	£65,000	Highland	23-Apr-07
Fersit Road, Lochaber	The Highland Council	09-Jun-06	£100,000		Active	£850,000	Highland	08-Jan-08
Dunoon Timber Haul Route	UPM Tilhill	13-Jun-06	£324,034		Active	£586,200	Argyll	13-Nov-06
Barrhill Railhead Catchment	FCS Galloway Forest District	13-Jun-06	£1,682,337		Active	£2,687,437	Ayrshire	20-Apr-08
Rathad-Mara (Sea Road)	Scottish Woodlands Ltd	27-Nov-06	£209,575		Active	£286,100	Highland	09-May-08
South of Scotland Project Officer	Dumfries & Galloway	23-Nov-06	£85,000		Active	£135,000	D&G	20-Apr-07
Driver Training Programme	FC Learning & Development	23-Nov-06	£17,725		Active	£34,445	D&G	03-May-07
B836 phase 2	Argyll & Bute Council	01-Dec-06	£655,000		Active	£1,230,000	Argyll	19-Apr-07
A897 Partnership Project	The Highland Council	31-Aug-07	£400,000		Active	£500,000	Highland	13-Mar-08
Marr Area	Aberdeenshire Council	27-Nov-07	£82,900		Active	£165,800	Grampian	26-Feb-08

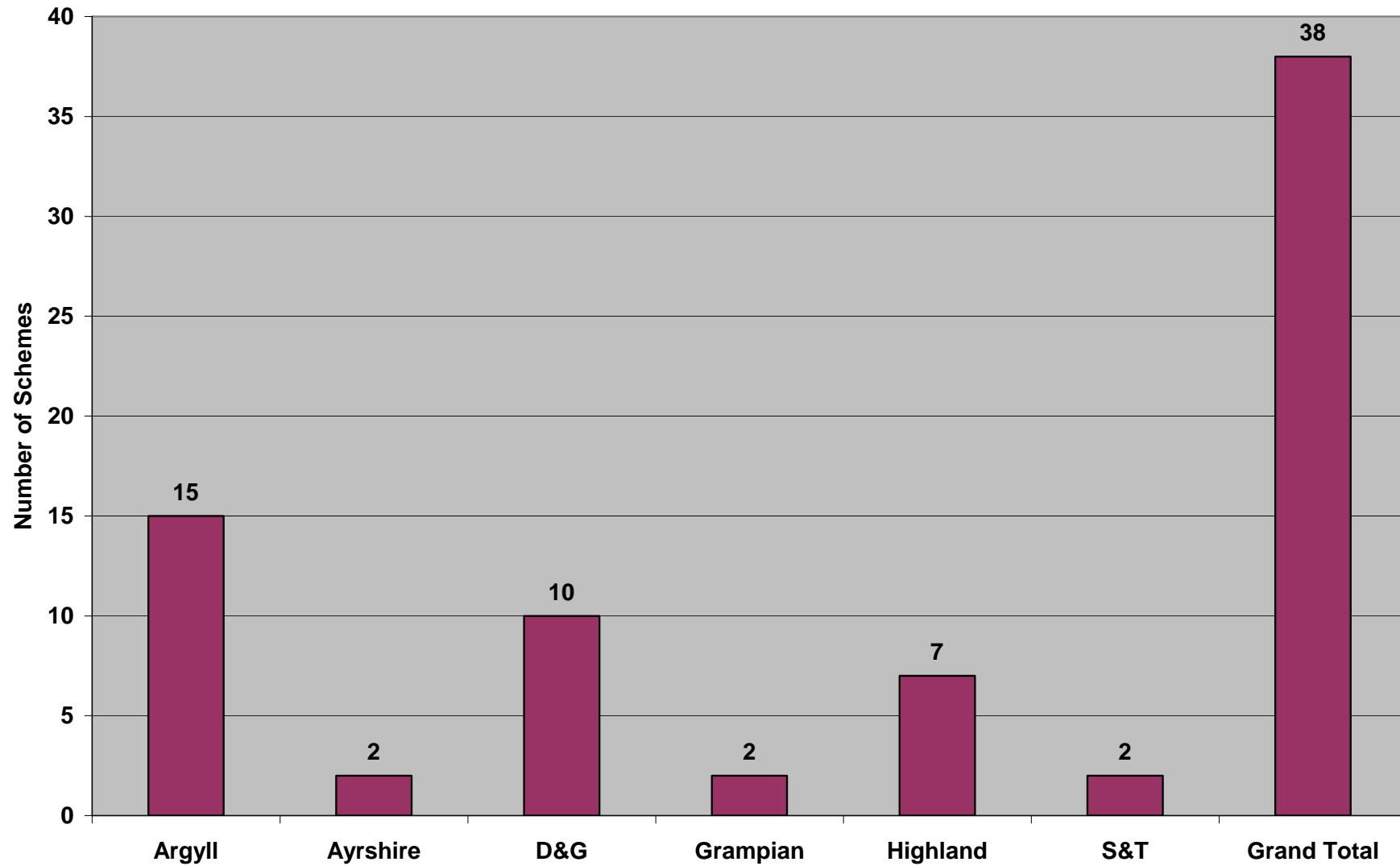
Tomdoun Link Road	J Robin Dixon	14-Jan-08	£111,861		Active	£279,653	Highland	N/A
Rosneath	Tilhill Forestry Ltd	29-Apr-05			Rejected		Argyll	N/A
Project Officer Highland & Grampian	Forestry Civil Engineering	03-May-05			Rejected		Highland	N/A
Floating Pier	Scottish Woodlands Ltd	04-May-05			Rejected		Highland	N/A
Glenkinglas	UPM Tilhill	29-Jan-08			Rejected		Argyll	N/A
South West Glendaruel, Timber Haul Route	Argyll & Bute Council	04-Dec-07		£253,450	Under Consideration	£741,500	Argyll	N/A
North West Mull Community Woodlands	North West Mull Community Woodland Company Limited	25-Nov-08		£398,530	Under Consideration	£936,465	Argyll	N/A
West Loch Awe Timber Haul Route	FES	30-Jan-08		£1,161,000	Under Consideration	£3,980,000	Argyll	N/A
Lorg Glen, B729 Moniaive	Dumfries & Galloway Council	02-Feb-08		£914,407	Under Consideration	£1,306,296	D&G	N/A
Forrest Estate Dundegh, Link Road	Forrest Estate Ltd	02-Feb-08		£239,984	Under Consideration	£437,921	D&G	N/A
Stroans Bridge, Glentool	Dumfries & Galloway	02-Feb-08		£107,064	Withdrawn	£152,949	D&G	N/A

Appendix II Summary of applications received and projects awarded

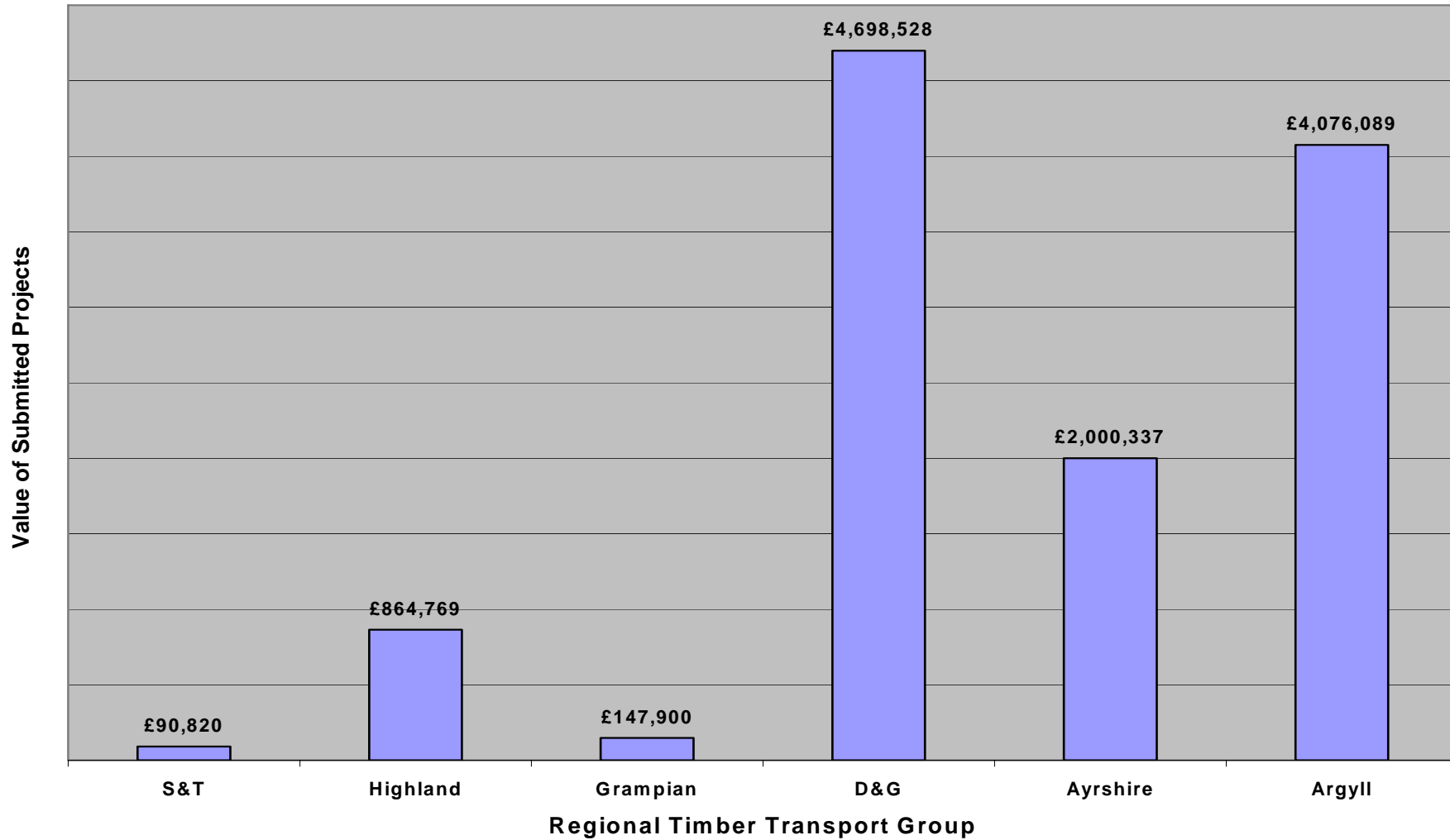
Scheme Current Position	Total Amount Awarded to Date	Total Amount of Potential Award	Number of Projects	Total Overall Project Value

Completed	£200,075	N/A	5	£425,746
Active	£7,116,433	N/A	17	£12,433,898
Being Revised	N/A	£532,500	3	£870,200
Under Consideration	N/A	£2,967,655	5	£7,402,182
Rejected	N/A	N/A	4	N/A
Withdrawn	N/A	N/A	1	£152,949
Delayed	£955,000	N/A	3	£1,545,680
TOTAL	£8,271,508	£3,499,871	38	£22,830,655

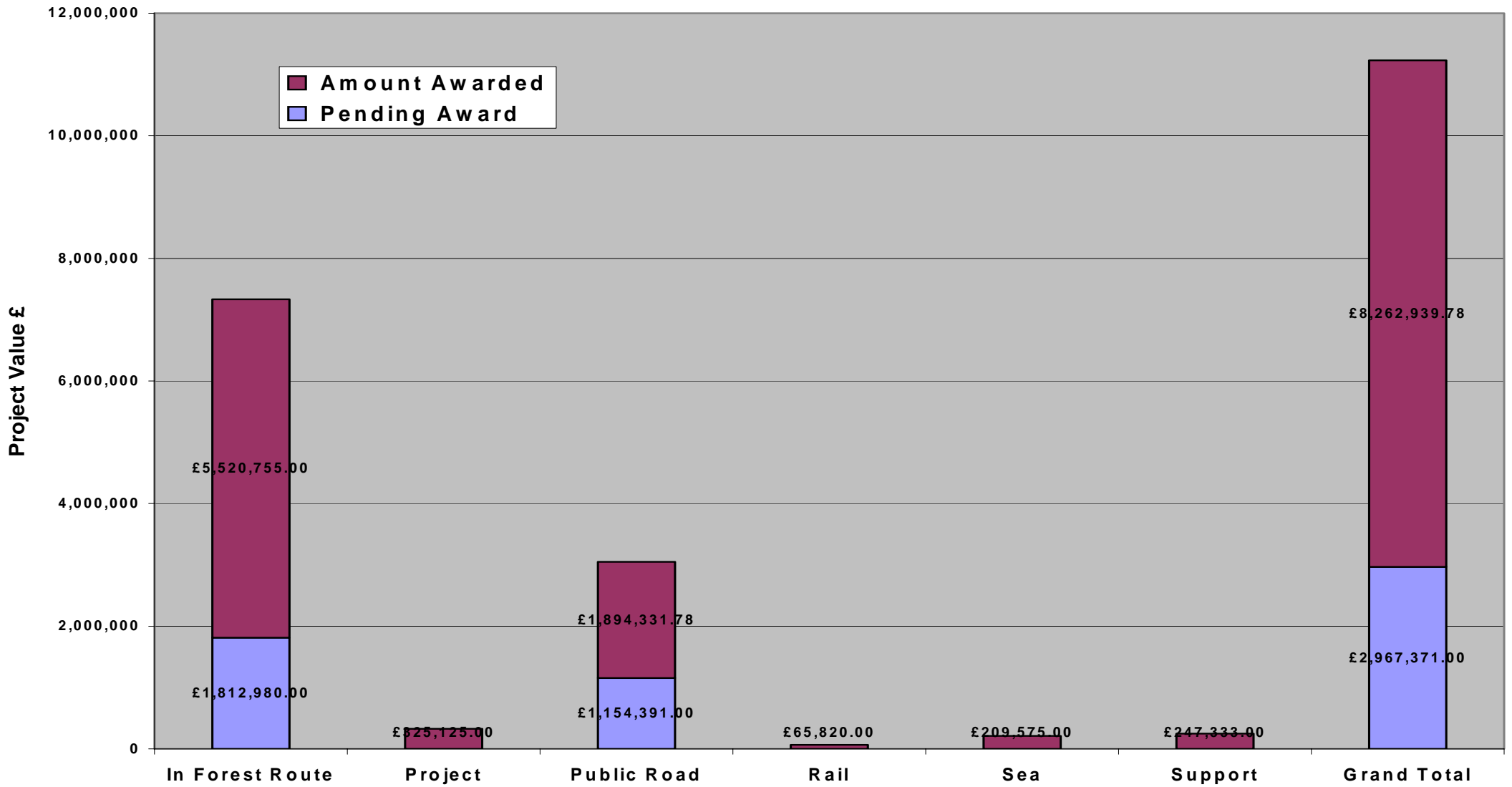
Appendix III Summary of applications submitted by Regional Timber Transport Group



Appendix III Summary of Value of applications submitted by Regional Timber Transport Group



Appendix IV Summary of applications awarded by Project Type



Appendix V Summary of Recommendations and Conclusions of the STTS Review Report

Summary of Conclusions

Our research found:

- No single reason or 'barrier' has led to the disappointing rate of spend of STTS funds to date. In common with any infrastructure project, timber transport projects are often complicated and it is difficult to predict in advance all the issues that will arise, for example when the agreement of multiple stakeholders is needed, or where third party approvals and consents are required. HM Treasury, in the Green Book⁴, recognises this '*tendency for appraisers to be over-optimistic about key project parameters*', making specific reference to underestimation of costs and duration, and over estimation of benefits.
- That the approved schemes set out clear expectations in terms of benefits, and that there are early indications that these will be achieved. There is a high level of consistency between the expected benefits of the individual projects and the aims and objectives of the STTS, as a result, it is expected that priority outcomes for the sector will be delivered;
- That the STTS exists in an environment where a number of factors are pulling in different directions, and tensions exist between:
 - The desire to see projects progressed quickly for commercial and economic reasons, and the obligation to ensure that proper controls are in place for use of public money;
 - The desire to implement projects of a long term, complex and strategic nature, and a funding regime which is likely to encourage smaller scale, less risky projects;
 - The reluctance to expend considerable time and cost in project development on an 'at risk' basis, and the requirement for FCS to be confident that a project is deliverable before committing funds;
- A common understanding among stakeholders of the importance of driving strategic projects forward;
- An enthusiasm to find solutions that will speed the delivery of strategic projects.

⁴'Green Book, Appraisal and Evaluation in Central Government'

Summary of Recommendations

1. That the respective roles and responsibilities of FCS and the TTF in respect of the strategic direction of the STTS are clarified;
2. Because the current Forest Strategy has a different emphasis from the one in place when the STTS was conceived, the strategy and objectives of the STTS should be reviewed to ensure a clear fit with the national Forest Strategy;
3. A Master Implementation Plan should be developed which identifies the projects which will contribute the most in terms of delivering the strategic outcomes;
4. The Strategy described above and most importantly the associated Master Implementation Plan must be communicated clearly and effectively throughout the industry.
5. FCS and the TTF should agree whether they wish to seek to secure changes to the funding structure after April 2008 from that which has been indicated, and that early discussions with the Scottish Government are sought accordingly;
6. That availability of specialist expertise (particularly bid/project management and transport/logistics) to assist in the development of bids is considered;
7. That generic 'style' multi party legal agreements are considered as a tool for speeding the bid development process. Such agreements could address access rights; sharing of costs and benefits; maintenance obligations; dispute resolution;
8. That a three stage approvals process is put in place, which would provide certainty of funding early, subject to clearly set out conditions;
9. That the scope of the Guidance is expanded to be more prescriptive in terms of the content and presentation of information. In particular we recommend that this includes a standard structure for the submissions at each of the three stages suggested above;
10. That electronic submission of bids should be required;
11. That the use of Environmental Assessment as a tool to back up State Aid cases, and strategic case-building is expanded.

We have found no compelling reason to channel public sector financial support to the sector through any body other than FCS.