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Dear Russell,

Thank you for your letter dated 8 March reflecting concern on resourcing of the Mode Shift Revenue Support (MSRS) Scheme in 2024/25.

I want to firstly assure you that the Scottish Government fully recognises the importance of modal shift and increased rail freight movements to help achieve transport emission reduction targets. That is why we, along with the UK and Welsh Governments, introduced MSRS to help with the additional revenue costs often associated with moving goods by rail or water. I am sorry that members of the Scotland Freight Joint Board found out about the MSRS budget in the manner they did.

As you may be aware, the Scottish Government is subject to acute pressure on our Budget with finite resources being prioritised and extremely difficult funding decisions having to be taken across portfolios. Unfortunately, there is no allocation for MSRS or Freight Facilities Grant (FFG) within the Scottish Government Budget for 2024/25 due to the unprecedented budgetary pressures and therefore we are not able to provide support to applicants. I can assure you that this is not a decision which has been taken lightly, or in isolation, and we appreciate that it has come as a major disappointment to those rail freight companies which have been working potential grantees in Scotland and England.

This decision does not represent a reversal in our strategic commitment on supporting modal shift and increased rail freight volumes and we hope that our rail freight growth target for the next rail control period clearly demonstrates that our strategy has not changed. We hope to be in a position to reinstate MSRS and FFG in Scotland at a point when the budgetary landscape has improved. Our priority for supporting Rail freight remains facilitating more efficient operation - through investment in capacity, adjustment of passenger services and encouraging and requiring Network Rail to support rail freight. We want rail freight to be competitive without the need for subsidy.

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Tha Ministearanna h-Alba, an luchd-comhairleachaidh sònraichte agus Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh www.lobbying.scot



On that basis, the Scottish Government is working in partnership with the Department for Transport on the current review of MSRS pertaining to the position post-2025.

We have held bi-lateral discussions with the companies who have benefitted directly from MSRS support for Scotland only flows. We would hope that these companies would see the benefit of continuing to use rail not only in an operational sense but also in terms of the corporate responsibility which all businesses have to minimise and reduce their carbon footprint. It is worth bearing in mind that whilst support under MSRS has been important in reducing costs to businesses, and in showing our intent as a Government to assist with carbon reduction efforts, the main responsibility for moving goods in as environmentally sustainable a way as possible should properly reside with such large and successful businesses.

I hope this response is helpful in explaining the position.

Yours sincerely



FIONA HYSLOP
Cabinet Secretary for Transport

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