
Briefing Paper

THE CHANNEL TUNNEL AND SCOTLAND*

by Neil Dourmashkin, Fraser of Allander Institute,
University of Strathclyde

The opening of the Channel Tunnel, expected in 1993, will have a number of distinct effects on the Scottish economy. In the short term, Scotland will benefit from faster, cheaper and much more reliable links to the continent, though the improvement will have less of a beneficial effect than it will in southern England. In the longer term, a more negative effect will partly counteract this as firms based in southern England will have less incentive to locate in Scotland. While the benefits to Scotland should outweigh the costs, even in the longer run, the full advantages are dependent on the effective use of the tunnel by Scottish business and on the implementation of solutions to the transport bottleneck between London and the Channel Tunnel. If the tunnel and associated projects are not handled well or Scottish industry does not adapt to the changing transport environment, the long-term prospects for the Scottish economy could be worsened, though not dramatically. If these changes are made, Scotland will benefit, though not radically.

Two transport services will use the Channel Tunnel. First, a shuttle service will carry cars, buses and trucks from one end of the tunnel to the other, in direct competition with the ferries. Second, through passenger and freight trains will run between various destinations in Britain and the Continent. For Scotland, it is these train services, especially for freight, which are of greatest importance. For passenger transport, a recent study carried out by PIEDA for the Scottish Development Agency (1) points out that car-based tourism to the UK in general will be helped, perhaps considerably, by the tunnel. On the other hand, residents of England and Wales may choose continental destinations in preference to

Scotland for holidays. British Rail's current position is that it is expecting to run two daily tunnel passenger trains to and from Edinburgh. The extension of at least one of these services to Glasgow is likely. Even after the opening of the projected high-speed link between the tunnel and London, city centre to city centre journey times from Scotland will remain faster by airplane. Therefore, the major impact of the passenger services will be on the leisure market, although business travel will be improved by the provision of overnight services. Whereas rail passenger transport is hampered by the distance between Scotland and the tunnel, it works to the advantage of through rail freight, which has increasing cost advantages over road with length of journey. In contrast, as noted in the PIEDA study, the time and cost savings for road freight transferring from ferry to tunnel shuttle are slight in comparison with total transport times and costs from Scotland to the continent. As well as potentially lower rates for rail-hauled freight, journey times will be very considerably improved, as will service reliability. Because of its comparative advantage over longer distances, British Rail appears to be orienting its tunnel freight services toward the industrial regions north of London. BR are required to produce their plans for tunnel freight services by December 1989, although it looks as though the system will be based around a series of regional terminals. These will originate trains made up of one or two sections, with the aim of providing a compromise between maximising the number of direct continental destinations available to each terminal and minimising the time-consuming and error-prone business of dividing trains en route. The SDA report estimated that the Scottish traffic level would initially support two tunnel freight services daily, implying a minimum of four direct continental destinations. The main Scottish terminal will be in the Strathclyde region, with possibly one or two

*Thanks are due to Tom Hart of the Scottish Transport Studies Group. All errors are my responsibility.

satellite terminals serving other industrial areas. New 'low-loader' wagon designs will be used to enable larger continental containers to travel on the more restricted British railways.

The economic changes arising from the tunnel can be thought of as occurring in three phases. Initially, all traffic using the new services will directly transfer from existing air, road and rail services, as a means of saving time, money or both. This will have a purely beneficial economic impact, as it is a simple fall in costs.

The second phase consists of traffic generation and diversion. Traffic generation entails passengers and freight using the tunnel route where previously no trip was made as no acceptable route existed. As a result, the improved reliability of the tunnel may enable supplier-customer relationships to develop between Scottish and continental firms, removing an existing distributor's margins. In this way, Scottish firms will be able to compete in continental markets previously closed to them. Conversely, some continental firms will now have effective access to Scottish markets, benefiting Scottish consumers at the expense of local producers. Unless Scottish producers make considerably worse use of the tunnel than do continental firms, the overall benefits will be positive. Continental firms may, however, be more attuned to managing rail-based transport, due to existing higher rail subsidy levels and restrictions on road haulage licensing, though these are being removed as part of the European Single Market process.

Traffic diversion consists of passengers and freight usage changing their destinations to the tunnel route because it is the more convenient journey. The changes in holiday destinations referred to above are an example of this effect. Relocation of industry as a result of the tunnel is a likely long term effect, though little attention has been paid to it so far. Traffic diversion and the third, long term activity relocation effect have a fairly similar impact. Although Scotland's location with regard to the European market as a whole will be improved by the tunnel, the greater ease of access from the South of England to Belgium and Northern France will mean that those areas will become more attractive as industrial bases. The Nord-Pas de

Calais area in particular shares with Scotland a history of declining industrial strength but has superior infrastructure. In this context, a survey performed by the Manchester Business School of 110 senior managers based in South-East England came up with the result that nearly all would be less likely to consider business opportunities in the English North-West (2). This will also be true of Scotland.

The full effects of the Channel Tunnel can thus be grouped into three categories. First are the all-round benefits of lowered costs. Second, there will be benefits to Scotland of improved accessibility to the continent, though these will be partly counteracted if other regions are more able to take advantage of the improved transport links. Thirdly, there is a negative displacement effect, as links between other British regions and the continent become stronger. It should be noted that both the second and third effects have the result of reducing inter-regional dependency within Britain and thus the inter-regional multiplier.

In this context, it is worth noting that different commentators have been emphasising different aspects of the relative regional benefits of the tunnel. The Pleda report for the SDA states that South-East England will enjoy the greatest benefits, as the relative fall in transport times and costs will be greatest for areas near the tunnel. On the other hand, it has been pointed out (3) that Scottish visible trade links with the continent are stronger than those from South-East England to the continent. Certainly, it would be expected that Scotland would specialise in exports which are able to be transported long distances. At the least, Scotland potentially stands to gain more from the tunnel than many other parts of Britain with poorer trade links.

The problem is, however, that the positive and negative results of the tunnel are partly dependent on events other than the completion of the project. In particular, many of the positive benefits to Scotland depend on the physical infrastructure being provided or on local firms making full use of the opportunities. Uncongested rail links from north of London to the tunnel are an important case in point. Equally, cross-frontier rail freight has not been well managed in the past. Scotland will depend much more on the success of this aspect of

the new transport network than will southern England.

Recent concerns about the viability of the high-speed passenger link from London to the tunnel have serious implications for Scotland. While the time saved by the link itself is not of particular importance for passenger journeys, the direct route through London will save a considerable amount of time. More importantly, since British Rail suggest that they will not be electrifying a freight diversionary route around London in the near future, the possibilities of route capacity constraints exist. In this case, marginal services would suffer. From Scotland's point of view, at least one of these links is highly desirable.

In sum, the negative displacement effects of the tunnel on the Scottish economy ought to be much

smaller than the positive benefits. However, if effective through links are not provided, a negative outcome becomes possible.

- (1) 'The Channel Tunnel - The Impact on Scotland', Pineda, Edinburgh for the Scottish Development Agency, May 1989.
- (2) 'The Right Tracks to Europe - The regional and environmental impact of the Channel Tunnel', Steer Davies and Gleave for Transport 2000, February 1989, p35.
- (3) 'The Channel Tunnel and Regional Change', Roger Vickerman, in 'The significance of the Channel Tunnel for Scotland', conference proceedings, Centre for Urban and Regional Research, University of Glasgow, January 1989.