Introduction

Scottish Chambers of Commerce (SCC) is Scotland’s largest business representative organisation, representing over 10,000 businesses employing over half of the private sector workforce, with one hundred and seventy staff in the offices of its twenty one constituent member Chambers.

Scottish Chambers of Commerce welcomes the opportunity to input into the Infrastructure and Capital Investment Committee’s inquiry into the Scottish Government’s Draft Budget for 2012-13 and Spending Review. The Scottish economy is currently in a crucial phase as it battles to maintain growth following the longest and deepest recession in a generation. As the Scottish Government sets about its spending plans, we recognise the challenges they face against a backdrop of reducing public sector budgets as the UK Government pursues essential deficit reduction plans. That said, the Scottish Government still has, in real terms, the same spending power that it had seven years ago and it is a fact of the devolved settlement that budgets can go down as well as up.

The Scottish Government and the Scottish Executive before it have become accustomed to year on year real terms increases in their budgets. This is unlikely to have been sustainable indefinitely and as the UK Government moves to restrict public spending in order to tackle the deficit, Scotland is bearing its share of public spending cuts. From a business perspective, the most worrying aspect of this was the reduction in capital budgets by 36% over four years, since it is capital investment that delivers the best long term boost to our economy. We welcome the fact that the Scottish Government has sought to mitigate the fall in capital spending by diverting revenue spend towards capital. We also welcome the fact that the importance of capital spend has been recognised by the Scottish Government in creating a cabinet post for Infrastructure and Capital Investment. The key now is to ensure that capital spend is targeted effectively. SCC’s priority is for investment in transport projects, as we believe these would deliver the maximum long term economic benefit for Scotland.

Scotland’s private sector businesses will drive economic growth in our country and government’s role must be to facilitate and support that growth. Infrastructure investment is a key tool for government in achieving this end. There is ample evidence to suggest that investment in infrastructure is a vital contributor to productivity, growth and economic competitiveness and, in particular, the OECD has stated that investment in transport, telecoms, water and electricity infrastructure has a greater impact on output than most other types of capital investment.1 The Eddington Report in 2006 highlighted the high economic returns generated by tackling congestion and bottlenecks and by focusing on international connectivity.2

Against this background, SCC believes that the achievement of the Scottish Government’s Central Purpose, that is “To focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth”, can only be achieved effectively if infrastructure investment is at the very heart of government policy.

Transport

It is easy for businesses to come up with a shopping list of transport projects that would make a positive impact in terms of Scotland’s economy. However with budgets becoming tighter, the real challenge is to prioritise projects in order to deliver the maximum economic benefit. We believe that transport projects deliver a high return on investment in terms of economic benefit and that the Government must recognise this fact. The budget for network strengthening and improvement is set to rise over the next three years but the budget for road improvements is set to fall, with structural repairs remaining steady. By far the largest portion of the motorways and trunk roads budget is of course the Forth Replacement Crossing. We believe that, though expensive, this project is absolutely vital for the Scottish economy and that, whilst

1 Infrastructure to 2030: Telecom, Land Transport, Water and Electricity, OECD (2006)
2 The Eddington Transport Study, HMSO (2006)
annual costs rise towards £359m by 2014-15, the costs of allowing the current Forth Road Bridge to close
to traffic could exceed £1 billion per year and therefore this continues to represent good value to the
people of Scotland. There are many other road projects our members would like to see implemented and
these need to be pipelined in a sensible and strategic manner, with detailed plans for projects over the
next five years, indicative plans for projects 5-10 years off and aspirational plans for projects beyond that
point up to a horizon of 20-25 years. This would allow greater predictability, allow the construction sector
the opportunity to plan ahead and ensure that we have the skills base available to deliver on our plans.

In terms of rail, the Edinburgh-Glasgow Improvements Programme will be delivered using Network Rail’s
Regulatory Asset Base (RAB). This is a welcome initiative and will assist in delivering a faster and more
comprehensive rail service network in Central Scotland. We cannot however allow rail services in the rest
of Scotland to deteriorate and improvements are needed in both frequency and journey time between
Inverness, Aberdeen and the Central Belt if we are to encourage greater use of public transport and
improve connectivity between Scotland’s cities. Further network enhancement is also needed other
areas, such as Fife and Kilmarnock, if regional transport is to be adequately addressed. We would
encourage further use of the RAB to enable further network enhancement where appropriate. It will also
be important to utilise the forthcoming ScotRail franchise tendering to leverage higher levels of
investment in our rail network.

In terms of infrastructure funding more generally, we believe that the Scottish Futures Trust has
developed into a high quality organisation that is already making a big difference in terms of both value
for money and the way in which government looks at infrastructure spending in Scotland. It is a crucial
tool in ensuring effective infrastructure spend in Scotland.

Housing

SCC believes that there is a real need for affordable housing in communities across Scotland and that
Government at a local and national has a key role in facilitating this investment. We welcome the
Government’s commitment to deliver 30,000 affordable homes between now and 2016 as this could
make a real difference to families and to the construction sector.

Digital Infrastructure

Scotland lags behind the rest of the UK and major competitor nations in the availability of both superfast
fixed line broadband and in the provision of 3G cellular telecommunications. It is essential that Scotland
prioritises investment to bring our digital communications up to and beyond the standards of our
competitors if we are to maximise our economic potential. We cannot afford to be left behind and this
could deliver a particularly strong boost to our remote and rural areas and to our tourist sector. SCC has
been lobbying the UK Government to try to secure additional funds for the roll out of superfast broadband
in Scotland.