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Pàrlamaid na h-Alba

Official Report

MEETING OF THE PARLIAMENT

Wednesday 19 December 2012

Session 4

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Scottish Parliament

Wednesday 19 December 2012

[The Presiding Officer *opened the meeting at 14:00*]

Business Motion

The Presiding Officer (Tricia Marwick): The first item of business is consideration of business motion S4M-05255, in the name of Joe FitzPatrick, on behalf of the Parliamentary Bureau, setting out a revision to the business programme for today and tomorrow.

Motion moved,

That the Parliament agrees to the following revision to the programme of business—

Wednesday 19 December 2012

after

2.00 pm Portfolio Questions
Health and Wellbeing

insert

followed by Ministerial Statement: Autumn Budget Statement

after

followed by Financial Resolution: Water Resources (Scotland) Bill

insert

followed by Legislative Consent Motion: Marine Navigation (No.2) Bill – UK Legislation

Thursday 20 December 2012

delete

2.30 pm Parliamentary Bureau Motions

2.30 pm Finance Committee Debate: Draft Budget 2013-14

and insert

2.15 pm Parliamentary Bureau Motions

2.15 pm Ministerial Statement: Waiting Times Audit Report

followed by Finance Committee Debate: Draft Budget 2013-14—[*Joe FitzPatrick.*]

Motion agreed to.

Portfolio Question Time

Health and Wellbeing

14:01

Hospital-acquired Infections (NHS Ayrshire and Arran)

1. Kenneth Gibson (Cunninghame North) (SNP): To ask the Scottish Government what the reduction has been in the number of hospital-acquired infections in the NHS Ayrshire and Arran area since May 2007. (S4O-01618)

The Cabinet Secretary for Health and Wellbeing (Alex Neil): NHS Ayrshire and Arran has achieved significant reductions in the two key healthcare-associated infections for which routine surveillance is undertaken.

The latest statistics for NHS Ayrshire and Arran published by Health Protection Scotland covering the period from April to June 2012 show that, compared with the period from January to March 2007, the number of *Clostridium difficile* cases among the over-65s fell by 71 per cent and the number of cases of MRSA and MSSA fell by 69 per cent.

Kenneth Gibson: I thank the cabinet secretary for his reply. What impact has that had on hospital mortality in Ayrshire and Arran and how many lives have potentially been saved over the past five years as a result?

Alex Neil: Since the period from October to December 2007, the hospital standardised mortality ratio has fallen by 12.9 per cent for Ayr hospital and by 30.7 per cent for Crosshouse hospital. That compares with a national fall of 11.4 per cent, demonstrating that NHS Ayrshire and Arran has made significant progress in reducing hospital mortality and improving patient care and clinical outcomes.

Across Scotland, our efforts to reduce hospital mortality will continue and I expect every hospital and every NHS board to drive improvement, drawing in all the support and expertise that are available from the Scottish patient safety programme and Healthcare Improvement Scotland.

Aileen McLeod (South Scotland) (SNP): What funding is available for research to help protect against hospital-acquired infections, which will, I hope, offer benefits to patients in the longer term?

Alex Neil: I had the pleasure last week of announcing additional funding of £1.8 million to help tackle the problem and to undertake necessary research so that we get on top of the

problem and build on the substantial progress that has been made in recent times.

Pharmacy Applications (Regulations)

2. Tavish Scott (Shetland Islands) (LD): To ask the Scottish Government what its reasons are for not changing the regulations governing new pharmacy applications to allow a national health service board to consider any applications submitted, rather than applications in sequence. (S4O-01619)

The Cabinet Secretary for Health and Wellbeing (Alex Neil): The NHS (Pharmaceutical Services) (Scotland) Regulations 2009, as amended, set out the provisions and arrangements by which applications to open a pharmacy are made. Those rightly leave decisions on applications in the hands of individual NHS boards.

As my colleague Shona Robison, then Minister for Public Health and Sport, said in her letter to Tavish Scott of 26 September 2010 in relation to the regulations:

“While there is no requirement within the Regulations for NHS Boards to consider applications sequentially, I understand it is established practice for them to do so.”

I can confirm that that position has not changed. We have, therefore, no plans at present to amend the regulations in that regard.

Tavish Scott: I am grateful to the cabinet secretary for his reply. However, will he consider changing those regulations? I am sure that he has constituency examples from around Scotland of those regulations not allowing a health board to consider a range of applications at the same time, so as to come to the best decision with regard to taxpayers’ money and also the best clinical decision for people in a particular area. The cabinet secretary will know from the case involving the pharmacy in Scalloway in my constituency that the process needs to be seen to be fair—currently it is not seen to be fair.

Alex Neil: My mind is never closed to change. If Tavish Scott would like to arrange a meeting with me to discuss those issues, I would be happy to discuss them. Obviously, I will need to be persuaded of the case and there needs to be evidence to justify any amendment.

NHS Lanarkshire (Meetings)

3. Siobhan McMahon (Central Scotland) (Lab): To ask the Scottish Government when it last met representatives of NHS Lanarkshire and what issues were discussed. (S4O-01620)

The Cabinet Secretary for Health and Wellbeing (Alex Neil): Scottish ministers and officials meet regularly with representatives of all

national health service boards, including NHS Lanarkshire, to discuss matters of importance to local people.

Siobhan McMahon: I thank the cabinet secretary for that answer. Can he tell me on what date he, or officials acting at his direction, last contacted NHS Lanarkshire regarding the modernisation of mental health services in Lanarkshire?

Alex Neil: In my previous answer to Siobhan McMahon on that issue, I made it clear that I decided early on in my tenure to give responsibility for that matter to my deputy Michael Matheson, as I did not want any perception of any potential conflict of interest between my role as the MSP for Airdrie and Shotts—where Monklands hospital resides—and my role as cabinet secretary. Therefore, I am happy to ask Mr Matheson to write to Ms McMahon again with the detail that she seeks.

Clare Adamson (Central Scotland) (SNP): Will the Scottish Government provide extra support to NHS Lanarkshire to cope during the winter months, given that we know that they bring additional pressures to the NHS?

Alex Neil: We have made available £3 million for all health boards in Scotland, including NHS Lanarkshire, to deal with the additional pressures of winter. I am happy to write to Clare Adamson with additional detail on that if she requires it.

Dr Richard Simpson (Mid Scotland and Fife) (Lab): Is the cabinet secretary aware of the concerns that I have been raising over the past few years about junior and middle-grade doctor staffing? Those were dismissed by his predecessor, as always, as scaremongering, but today Lanarkshire NHS Board is reported to be concerned about its junior doctor recruitment and Greater Glasgow and Clyde NHS Board has reported significant problems with middle-grade recruitment. Those concerns come on top of the paediatric service problems in the south-east, of which the cabinet secretary is fully aware because he has provided additional finance. Has he abandoned the ill-thought-out plans to cut doctors’ senior training grades by 40 per cent by 2015 and the FY1 and FY2—foundation year 1 and 2—grades by 20 per cent?

Alex Neil: There were quite a lot of requests for detailed information in that question. Generally speaking, I can say that it is no secret that the national health service in Scotland, like the NHS south of the border, faces some shortages in the availability of very specialist services, some of which were mentioned by Richard Simpson. I have recently spoken to Sir David Carter, who is chair of the Scottish academic board that deals with such matters, and we are reviewing all those aspects.

The problem affects not just particular specialties, but rural areas. I am looking at the matter seriously and am considering whether any additional measures are required to deal with any of the specialist shortages. Clearly, if there is a specialist shortage, there is the potential for a gap in service provision, which is not what we desire.

NHS Ayrshire and Arran (Annual Board Review)

4. Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP): To ask the Scottish Government what key issues were raised by the Cabinet Secretary for Health and Wellbeing at NHS Ayrshire and Arran's annual board review meeting on 17 December 2012. (S4O-01621)

The Cabinet Secretary for Health and Wellbeing (Alex Neil): I thought that the board's annual review was a challenging but largely positive meeting. As the member knows, I wanted to hear from the board on the areas that have been unsatisfactory in the past year, such as the local adverse events process, the management of information, including freedom of information compliance, and the systems in place for out-patient appointments. The board has made some progress in those areas, but the Government will keep matters under close review.

I want to recognise that there is a lot of positive work going on in NHS Ayrshire and Arran for the benefit of local people. That is testament to the dedication and professionalism of local NHS staff, and I once again thank them for that. Change for the better will not be delivered overnight but, following Monday's review, I believe that we can look forward with some optimism under the new leadership in NHS Ayrshire and Arran. As I said, the member can be assured that we will keep these matters under close review.

Adam Ingram: On the question of board governance and management accountability, how does the cabinet secretary propose to deal with the deficiencies and gaps that, from recent experience, are clearly evident in Ayrshire and Arran? The lack of accountability to the local public has long been evident—witness the board's attempts to close Ayr hospital's accident and emergency unit, at Labour's behest—but more recent failures to implement learning from significant adverse events reveal an absence of effective scrutiny of senior management by the board and a reluctance to hold to account those who are personally responsible for those policy areas.

Alex Neil: Adam Ingram raises a number of pertinent and fair points. I will give a specific answer on Ayrshire and Arran and then a general answer on accountability.

On Monday, as the chair of the annual review of NHS Ayrshire and Arran, I made it absolutely clear, publicly, that I expect the highest standards of accountability and transparency, not just from Ayrshire and Arran, but from every health board in Scotland. After the annual review, I had a special meeting with the non-executive directors of the health board, which is a practice that I intend to be repeated every time that I do an annual review of any health board, or when Mr Matheson does one. I made it clear to those non-executive directors, and I make it clear to every non-executive director throughout the NHS in Scotland, that part of their job is to hold the executive to account, to question and to probe and indeed to visit the front line regularly so that they can see what is happening there, which should help to inform their decisions on the future of the health service in their area.

John Scott (Ayr) (Con): As the cabinet secretary will know, at NHS Ayrshire and Arran's board meeting on 5 December, the board agreed the submission of an outline business case to the capital investment group in the Scottish Government health directorate for a £22 million upgrade to A and E services, which Adam Ingram mentioned, at Ayr and Crosshouse hospitals. Will the cabinet secretary please give favourable consideration to those proposals, which represent a substantial and welcome proposed investment in emergency and unscheduled care services in Ayrshire and which will underpin seven-day-per-week consultant-delivered A and E services at Ayr and Crosshouse hospitals?

Alex Neil: Perhaps I should declare my interest as a resident of Ayr.

Obviously, when those proposals come to us, we will give them due consideration, as we would do with any such proposals from any health board in Scotland. Even in this festive period, I cannot help but comment to John Scott that, had his Government not imposed a 26 per cent real-terms cut in our capital budget, I would be able to approve many more such projects than I can because of that cut.

Infrastructure Projects (Grampian)

5. Nanette Milne (North East Scotland) (Con): To ask the Scottish Government which national health service infrastructure projects in Grampian will proceed following the extra capital funding announced in the autumn statement. (S4O-01622)

The Cabinet Secretary for Health and Wellbeing (Alex Neil): Mr Swinney will make an announcement on that extra funding following portfolio question time today. Our priority for additional investment is to address backlog maintenance, and NHS Grampian will share in any additional capital resources that are made available to NHS Scotland.

Although the budget consequentials are welcome, they are significantly less than the total value of the shovel-ready projects in the list that the Scottish Government published on 2 December 2012. The Scottish Government's capital budget will still have been reduced by 26 per cent in real terms in 2014-15, compared to 2010-11.

Nanette Milne: I thank the cabinet secretary for his answer, although I am not sure that I welcome it.

Given the significant growth in the population in Inverurie, and following the decision not to proceed with the planned Garioch life centre development, there is a real need for the Inverurie health centre and community maternity unit to proceed. Prior to the autumn statement, the First Minister stated:

"These significant projects, including the Inverurie Health Centre and Community Maternity Unit, could get underway now, rather than being delayed."

Can the cabinet secretary tell the Parliament when an announcement will be made to give the green light to those NHS Grampian projects?

Alex Neil: Under the normal due processes, I will make any announcement on that subject at the appropriate time.

Health Service (Policies and Priorities)

6. Stewart Stevenson (Banffshire and Buchan Coast) (SNP): To ask the Scottish Government what its position is on whether its policies and priorities for the health service are being undermined by United Kingdom Government policies. (S4O-01623)

The Cabinet Secretary for Health and Wellbeing (Alex Neil): Healthcare provision is a devolved responsibility. I reiterate our continued commitment to a publicly funded and publicly delivered national health service in Scotland. We have categorically ruled out the reforms that are under way in England and have reaffirmed the commitment to continuing to provide world-leading, high-quality and sustainable healthcare for the people of Scotland that reflects the values of the national health service.

Stewart Stevenson: Parliament recently passed the Social Care (Self-directed Support) (Scotland) Bill, which will ensure that more disabled people can live with dignity and independence. Does the minister agree that the UK Government's wrong-headed assaults on disability benefits will undermine the Scottish Government's commitment to independent living?

Alex Neil: It will come as no surprise to members that I agree absolutely with that point of view. I am extremely concerned; like many

members, I can tell from my constituency surgery caseload that the impact of many of the reforms is extremely serious and worrying, particularly for the disabled community. I am genuinely concerned about the impact of those benefits reforms on the living standards and quality of life of disabled people in the future.

Pharmaceutical Care

7. Jim Eadie (Edinburgh Southern) (SNP): To ask the Scottish Government what recent discussions it has had with community pharmacy representatives on the future of pharmaceutical care. (S4O-01624)

The Cabinet Secretary for Health and Wellbeing (Alex Neil): Scottish Government officials meet regularly throughout the year with community pharmacy representatives to talk about the current and future funding of national health service pharmaceutical care and services.

In October 2011, my colleague Nicola Sturgeon, the then Cabinet Secretary for Health, Wellbeing and Cities Strategy, announced a review of NHS pharmaceutical care of patients in the community, to be led by Dr Hamish Wilson and supported by Professor Nick Barber of the Health Foundation and University College London. As part of the review process, Dr Wilson and Professor Barber took oral and written evidence from a wide range of stakeholders, including patients, the NHS and pharmacy representative bodies, such as the Royal Pharmaceutical Society, the professional body for pharmacists in Scotland, and Community Pharmacy Scotland, which represents pharmacy owners.

We are currently considering Dr Wilson's report alongside other national policy initiatives and reports to help inform the Scottish Government's vision for NHS pharmaceutical care in Scotland.

Jim Eadie: The cabinet secretary will be aware that it is more than 10 years since the publication of "The Right Medicine: A strategy for pharmaceutical care in Scotland". As we eagerly await and anticipate the outcome of the Wilson review into the positive role that pharmacists can play in enhancing the healthcare of patients in the community, particularly in relation to the self-management of their own care, will the cabinet secretary agree to meet me and representatives of the profession, such as Community Pharmacy Scotland, the Company Chemists Association and the National Pharmacy Association, in advance of the review's publication so that the voice of community pharmacy will be not only heard but listened to and acted upon?

Alex Neil: In due course, the Scottish Government will engage with all relevant stakeholders in implementing the outputs from the

Wilson report and other key national policy initiatives. A large number of stakeholders, including the bodies that I mentioned, were consulted during the review process, and the review leads considered all oral and written evidence that was submitted to them. I hope that is a satisfactory response for Mr Eadie.

Waiting Times Data (NHS Greater Glasgow and Clyde)

8. Hanzala Malik (Glasgow) (Lab): To ask the Scottish Government what recent discussions it has had with NHS Greater Glasgow and Clyde regarding its waiting times data. (S4O-01625)

The Cabinet Secretary for Health and Wellbeing (Alex Neil): The health directorate regularly meets with all boards, including NHS Greater Glasgow and Clyde, to discuss all aspects of waiting times, including data.

Hanzala Malik: The cabinet secretary will be aware that an NHS Greater Glasgow and Clyde audit of waiting times data found that failures in the quality of the data made it difficult to verify the validity of the “unavailable for treatment” classification of patients. Will the cabinet secretary give me a clear guarantee today that NHS Greater Glasgow and Clyde is not involved in the waiting times scandal? Will he also be so kind as to publish the audit today so that we have an opportunity to see it before tomorrow’s statement?

Alex Neil: At the request of Ms Jackie Baillie and the Labour Party, I have given two commitments, the first of which is that I will publish all 15 of the reports prior to the recess. Secondly, I have responded positively to the request for a ministerial statement, which will be made tomorrow. I undertake to publish the reports and place them in the Scottish Parliament information centre in plenty of time for members to have a chance to read them prior to my statement.

Jackie Baillie (Dumbarton) (Lab): I very much welcome the cabinet secretary’s action in that regard. However, in addition to the problems with retrieving data from Glasgow—which makes one wonder how figures are supplied to the Scottish Government—the sampling of 100 patients by PricewaterhouseCoopers suggested that 56 in south Glasgow had periods of social unavailability applied while in north Glasgow the figure rose to a staggering 62 patients, one of whom waited as long as 168 days. Does the cabinet secretary consider such periods of unavailability in Greater Glasgow and Clyde to be in any way acceptable?

Alex Neil: It would be wrong of me to comment on bits of a report without giving members the opportunity to read the whole thing and to see the report in its total context. As I said, I will publish the whole report. I do not intend to get into the

habit of commenting on leaked reports or parts of leaked reports until the full reports are published and people see that the conclusion reached with regard to Greater Glasgow and Clyde is very positive indeed.

People with Visual Impairments

9. Stuart McMillan (West Scotland) (SNP): To ask the Scottish Government what action it is taking to assist people with visual impairments. (S4O-01626)

The Minister for Public Health (Michael Matheson): The Government is working with statutory and third sector partners to develop a Scottish sensory impairment strategy, which I expect to be issued for consultation early in 2013 and which will build on the success of the sensory impairment one-stop shops.

As the member knows, Scotland has a world-renowned eye-care system. The Government has introduced free eye examinations for everyone in Scotland and the eye-care integration project provides an innovative link between optometrists and local hospital ophthalmology departments to allow fast and efficient patient referrals.

Stuart McMillan: Recently, I have been representing a constituent with dry macular degeneration whose benefit entitlement has been removed as a result of the Atos process. What action can the Scottish Government take to assist people with dry macular degeneration who are suffering at the hands of the United Kingdom Government’s austerity measures?

Michael Matheson: I am sure that no member in the chamber will be unaware of the concerns and difficulties arising from the impact of work capability assessments on disabled people such as Stuart McMillan’s constituent. It is important that individuals who find themselves in such situations are provided with the best possible advice and support in pursuing their claims; indeed, I often provide my constituents with advice through a welfare benefits adviser or a specialist service. Over a number of years, we have rolled out 11 one-stop shops across the country to provide support and assistance, including advice on welfare benefits, to those with a sensory impairment. However, I fully recognise the concerns of Mr McMillan’s constituent and the difficulties that they are experiencing. I would far prefer it if we as a Government were able to take direct action on such issues and ensure that things were more aligned with the views and values of the people of Scotland.

Childsmile Service (NHS Forth Valley)

10. Angus MacDonald (Falkirk East) (SNP): To ask the Scottish Government what progress

has been made in rolling out the childsmile service to schools and nurseries in the NHS Forth Valley area. (S4O-01627)

The Minister for Public Health (Michael Matheson): Since rolling out childsmile services to schools and nurseries, NHS Forth Valley has recruited all private, council and partnership nurseries in its area into the toothbrushing programme and has also had 100 per cent engagement from all independent dental practitioners in childsmile practice. Within the past three months, the health board has achieved a full complement of childsmile staff, which, subject to parental consent and child participation, will increase the number of pre-school and primary school children able to access the fluoride varnish programmes.

Angus MacDonald: The minister will be aware that members recently received the national dental inspection programme report, which highlighted the fact that there is a continuing trend of improvement in the oral health of primary 1 children in Scotland, with 67 per cent having no obvious experience of decay in 2011-12. What can the minister do to ensure that primary schools in areas of socioeconomic deprivation do not have the opportunity to opt out of the worthwhile childsmile programme?

Michael Matheson: The member makes a good point. Since the dental action plan was published in 2005, real progress has been made in improving oral healthcare in Scotland overall, and it is drawing a considerable level of international interest as a result of the success that is demonstrated by the fact that 67 per cent of children in primary 1 have no sign of obvious decay, which the member referred to. I am determined to ensure that we continue to build on that success.

I understand that NHS Forth Valley does not offer targeted primary schools the option of non-participation in childsmile. Nineteen primary schools in the most deprived areas were targeted. The board has exceeded its target, and has recruited 29 primary schools to the scheme. I understand that only one primary school in the NHS Forth Valley area has not participated in the scheme to date, and the health board's childsmile team is in dialogue with it to encourage it to do so. Given the benefits that have been gained by the other schools that have participated in the scheme, I encourage that school to take up the opportunity to participate in childsmile.

Smoking

11. George Adam (Paisley) (SNP): To ask the Scottish Government what plans it has to tackle smoking. (S4O-01628)

The Minister for Public Health (Michael Matheson): We are committed to maintaining Scotland's position as a world leader on tobacco control. That is why we are developing a new tobacco control strategy for publication early next year. The strategy will set out ambitious targets for moving towards a smoke-free Scotland, underpinned by a range of actions that are focused on prevention, cessation and reducing health inequalities.

If we are to make smoking a thing of the past, it is essential that we reduce the number of young people who take it up. Our ban on the display of tobacco in shops has a key role to play in that regard. I welcome the Supreme Court's rejection of Imperial Tobacco's legal challenge to the legislation. The ban will come into force in April next year for large shops.

George Adam: I am extremely pleased to hear about the plans to make Scotland smoke-free. Can the minister estimate how much money the national health service could save if Scotland were to become smoke-free?

Michael Matheson: It is important, when we use the term "smoke-free", to state that we are talking about tobacco smoke—we do not want to put fear into the hearts of people with coal fires.

Our aim to make Scotland smoke-free is an important recognition of our country's intention to be progressive in continuing to reduce smoking.

It is estimated that the yearly cost to the NHS of conditions that are associated with smoking is between £320 million and £510 million. When we include the other costs related to smoking, such as those involving loss of productivity, clearing up the litter associated with smoking and the damage that is caused by smoking-related fires, the total yearly cost to Scottish society is estimated to be in the region of £1.1 billion.

Of course, that is just the financial cost. There is also tobacco's human cost and the damage that it causes to families and communities across the country, with one quarter of all deaths in Scotland attributable to smoking. I am sure that members in the chamber agree that that cost is simply too high, and shows why we need to continue to move towards a tobacco-free Scotland.

Health Inequalities

12. Gordon MacDonald (Edinburgh Pentlands) (SNP): To ask the Scottish Government what actions are required to reduce health inequalities. (S4O-01629)

The Minister for Public Health (Michael Matheson): Addressing determinants of health and health inequalities requires concerted leadership along with targeted and tailored action

in true partnership with the communities that are affected. It also requires a preventative agenda to break the cycle of inequalities that is repeated in a number of our communities.

The Government is taking action across three key social policy areas: the early years framework; the achieving our potential framework; and the equally well framework. I have also reconvened the ministerial task force on health inequalities so that we can review progress to date and consider what further action is required in the years ahead.

Gordon MacDonald: NHS Health Scotland recently produced a paper for the task force on health inequalities, which stated:

“without action to reduce the income, wealth and power inequalities which currently plague Scotland it is very unlikely that we will reduce the human tragedy which is represented in the health inequalities statistics”.

Does the minister agree that a yes vote in the referendum on Scottish independence will provide an opportunity for a much more radical approach and change in political direction from the rest of the United Kingdom to tackle those issues?

Michael Matheson: I am sure that all members in the chamber will recognise that tackling Scotland's health inequalities effectively requires a multi-agency approach and that a short-term approach will never be effective in dealing with inequalities that have developed over generations in our country.

It is important that we take all the action that is required to close those health inequalities, but the reality is that a health response to tackling health inequalities will not, in itself, deal with the issue. We must deal with a range of determinants that impact on health inequalities.

Finance and poverty are key factors in tackling those inequalities. As things stand, the Scottish Parliament and the Scottish Government do not have the control over key areas of welfare reform and measures to tackle child poverty that is necessary to address such health inequalities.

That is not to say that we cannot make progress in tackling health inequalities, but we could make greater progress if we had greater control over all of Scotland's resources.

Jackie Baillie (Dumbarton) (Lab): It may be Christmas but, to be frank, I found that response astonishing because health inequality is not affected by borders.

Let me suggest to the minister something that he can do to give an early Christmas present to people living in disadvantaged areas. The deep-end group of general practitioners who serve our most disadvantaged communities are asking for more time with their patients to address their

complex and underlying problems. Why does he not do something about that?

Michael Matheson: Sadly, Jackie Baillie has just demonstrated a real lack of understanding about the complex nature of health inequalities. All the evidence demonstrates clearly that there is not a simple health solution to health inequalities. *[Interruption.]*

The Presiding Officer (Tricia Marwick): Order.

Michael Matheson: All the evidence demonstrates that fact clearly. We need to have a range of social policies to tackle health inequalities.

I have outlined to Jackie Baillie the action that the Government is taking to tackle such issues, but I say to her that one thing that can contribute towards that action is universal provision of some of our health service benefits, which she, as the Labour spokesperson for health, has now given up on as the result of her cuts commission.

The Government will take all the necessary action—

Jackie Baillie: Fantasy, fantasy.

The Presiding Officer: Order.

Michael Matheson: The Labour members may choose to stick their heads in the sand when it comes to tackling health inequalities, along with their colleagues on the Tory benches, but the reality is that matters such as welfare and finance are key to tackling health inequalities in Scotland.

Jim Hume (South Scotland) (LD): Does the minister agree with the chief medical officer that tackling health inequalities requires all areas of Government policy to be in sync? If he does, will he explain how often he has met his colleagues who are responsible for housing, local government, sport and education specifically to discuss co-ordinated approaches to health inequalities in Scotland?

Michael Matheson: I fully agree with the chief medical officer, who has made my point clearly. We must ensure that all those policies work in an integrated way. One difficulty that we have in dealing with some of the issues is that we do not have control over such areas as welfare and benefits. No one should be in any doubt about the potential negative impact that the welfare reform agenda of the Conservatives and Liberal Democrats will have on tackling health inequalities in Scotland.

Jim Hume asks when I met my colleagues to discuss the issue. I met them a fortnight ago at the ministerial task force on tackling health inequalities, and we will meet again in the new year to continue making progress on the issue.

Stewart Maxwell (West Scotland) (SNP): The Audit Scotland report on health inequalities highlighted one potential impact of the smoking ban: decreased rates of premature and low birth-weight babies. Can minimum unit pricing for alcohol have a similar positive impact on health inequalities?

Michael Matheson: A range of factors contributes to health inequalities. I have no doubt that alcohol and Scotland's relationship with it contribute to such inequalities.

Minimum pricing is one measure that can help to deal with some of the health inequalities in our society. I hope that, once minimum pricing is introduced, we will start to see the benefits that can be gained from it. I am delighted that the Westminster Government has now recognised the benefits of minimum pricing and that it intends to produce arrangements to introduce minimum pricing in England and Wales.

Cystic Fibrosis

13. James Kelly (Rutherglen) (Lab): To ask the Scottish Government what consideration it has given to the availability of drugs to treat cystic fibrosis. (S4O-01630)

The Cabinet Secretary for Health and Wellbeing (Alex Neil): The Scottish Government is committed to ensuring that patients in Scotland receive medicines that are of established cost effectiveness and therapeutic value. All newly licensed medicines are appraised for clinical effectiveness and cost effectiveness by the Scottish Medicines Consortium, which publishes advice for national health service boards. NHS boards and clinicians are expected to take full account of SMC advice in the planning and provision of NHS services.

The NHS provides dedicated services to patients with cystic fibrosis. The medicines that are used are a matter for the professional judgment of a patient's clinician.

James Kelly: One of my constituents—seven-year-old Maisie Black, who suffers from cystic fibrosis—urgently needs the drug Kalydeco. The provision of Kalydeco in Scotland lags behind that in the rest of the United Kingdom. I am led to believe that the SMC met on 4 December to discuss making Kalydeco available in Scotland but that its decision will not be known until 14 January. What is the reason for such a delay between the private decision and public announcement? Does the cabinet secretary agree that such a delay is unacceptable? Will he press for an early announcement?

Alex Neil: James Kelly will know that I have set up a review of the introduction of and access to new medicines, which Professor Philip Routledge

from Cardiff University is undertaking. I expect him to report early in the new year. He will address exactly the kind of issue that the member raises. Once we get his report, we will look at how we can take matters forward.

I empathise fully with anyone who is in the position that Mr Kelly's constituent is in. As the health secretary, I want to ensure that the process for the approval and introduction of and access to new medicines is as robust as possible.

Prescription Costs

14. Willie Coffey (Kilmarnock and Irvine Valley) (SNP): To ask the Scottish Government how it monitors and reviews the cost to the national health service of prescriptions issued by general practitioner surgeries. (S4O-01631)

The Cabinet Secretary for Health and Wellbeing (Alex Neil): The majority of monitoring and reviewing of the cost to the NHS of prescriptions that GP surgeries issue is done at NHS board level by specialist teams of pharmacists, accountants and GPs.

The prescribing information system for Scotland—commonly known as PRISMS—is available to those in the NHS who have appropriate confidentiality clearance. It provides detailed data on all medicines that have been dispensed in Scotland. Data is available from the Scotland-wide level down to the individual prescriber level. Many variables can be monitored, and each board has a system that is based on the needs of the local patient population.

In addition, the Information Services Division in NHS Scotland maintains a detailed database of information on NHS prescriptions that are dispensed in the community. It provides regular reports—annual reports with monthly updates—to NHS boards and the Scottish Government to assist the monitoring of the overall spend in Scotland.

Willie Coffey: According to ISD Scotland, generic prescribing accounts for 83 per cent of drugs that are prescribed, which represents a welcome 6 per cent improvement in the past 10 years. Can the cabinet secretary assure me that the costs of branded drugs, which tend to be much more expensive, will be kept under close scrutiny to ensure that value for money is taken into account?

Alex Neil: Mr Coffey raises a valid and fair point. With the head of the Scottish Government's pharmaceuticals section, Professor Bill Scott, we are looking at improving how we ensure the cost effectiveness and therapeutic value of medicines that are dispensed in order to maximise both value for money for patients and patient care.

We have made substantial progress in a number of areas, and substantial moneys have already been saved by measures taken in recent months on drugs policy and prescribing policy, but we will continue to take appropriate measures to ensure that we get the maximum value for the money that the NHS spends on prescription drugs.

Autumn Budget Statement

The Presiding Officer (Tricia Marwick): We move to a statement by John Swinney, the Cabinet Secretary for Finance, Employment and Sustainable Growth, on the autumn budget statement. The cabinet secretary will take questions at the end of his statement, so there should be no interventions or interruptions. Mr Swinney, you have 10 minutes.

14:40

The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney): I welcome this opportunity to update Parliament on how we intend to allocate the additional capital consequentials for 2012-13 and 2013-14 arising from the Chancellor of the Exchequer's autumn statement of 5 December. I will not, at this stage, allocate all the additional funds that will be available for 2014-15. Parliament will be aware that the chancellor is planning a United Kingdom spending review in the first half of 2013, which is likely to impact on the overall budget that will be available to the Scottish Government in 2014-15. I wish to reflect on the outcome of the UK spending review before I allocate any additional capital consequentials for that year.

For this year and next, however, I am pressing ahead with quick decisions on capital allocations that will mean that we will get on with much-needed investment to support jobs and recovery in Scotland. In addition, I want to ensure that Parliament has the maximum opportunity to consider the changes ahead of the formal stages of the budget bill in January and early February. Our intention is to amend the budget bill to reflect the additions that I am setting out today.

We have welcomed the fact that the chancellor has, in part, listened to our message that capital investment is needed to stimulate the economy. We have taken a consistent approach to the need for additional capital spending to boost economic recovery, dating back to our calls to Alistair Darling in 2008 prior to the pre-budget report. This year, the Scottish Government has written eight times to the UK Government asking for an immediate capital stimulus to provide much-needed work to the Scottish construction sector and to boost local economies all over Scotland. In addition, we have twice written jointly with the other devolved Administrations. At a time when public sector investment is so crucial in encouraging economic recovery, additional capital funding would have been very welcome, had it come earlier.

Taking into account the budgetary impact of the chancellor's autumn statement, we can now

expect the Scottish Government's capital budget to have fallen by around 26 per cent in real terms by 2014-15, compared with that of 2010-11. We have, where possible, added to the capital departmental expenditure limit that is provided in our spending review settlement. We are supplementing our capital programme through revenue-financed investment by switching from resource budgets and using capital receipts. Earlier this year, we were able in February to add to our capital budgets through capital consequentials from the 2011 autumn statement, and in June through a package including use of the fossil fuel levy funding. Now, I am able to announce further additions.

In November, we provided an updated list of shovel-ready projects worth £820 million that could begin construction by the end of 2013-14 if funding were to be made available. The additional funding that I am allocating today means that ministers can now give the go-ahead to some of those projects. Today, I announce the Government's proposals for additional capital investment of around £190 million this year and next, starting with a combination of the consequentials from the autumn statement of £4.6 million in 2012-13 and £160.2 million in 2013-14.

In addition, due to the progress that has been made I am once again able to redirect contingency funds—funds that will not now be needed for the Forth replacement crossing project—which amount to a further £25 million this year. Some of the commitments that I make today will need continued investment into 2014-15, amounting to a further £15 million of investment to be funded in that financial year. In total, the programme that I am announcing today amounts to £205 million.

In deciding how to allocate the additional investment, our overriding concern has been to focus on projects that will have a significant jobs impact and which will be able to deliver quickly, and on projects that will reduce carbon emissions and help meet our climate change targets.

In September, the First Minister and the president of the Convention of Scottish Local Authorities wrote a joint letter to local authorities, encouraging them to consider how they could boost their own capital investment. We are now allocating to local authorities, for that purpose, £46 million of the consequentials, on the condition that they spend the additional funding on projects that are ready to be delivered and which are not already funded in their capital programmes for 2012-13 or 2013-14. A mechanism to provide assurance in that regard will be agreed with local government.

We will invest £21 million in transport in order to develop our cycling, ferries and canals infrastructure and to maintain our trunk road

network, in line with our continued commitments to increasing active travel, to supporting our lifeline services, to encouraging regeneration along our canal network—which is now the responsibility of the Scottish Government—and to continuing to invest in our strategic network, all of which activity encourages connectivity and sustained growth.

More than £11 million will be invested in economic development projects, through our enterprise agencies, on a range of early-start projects, all of which will provide the foundations for economic growth in their respective areas.

There will be £22 million spent on regeneration projects in Dalmarnock in Glasgow, Irvine and Ardrossan, including the development of highly energy-efficient office space in key locations, to attract inward investors to Scotland.

We will invest £10 million in our justice system, including the Scottish Court Service's estate. We noted the Justice Committee's concerns about the maintenance backlog that is associated with the Scottish Court Service estate, so we will invest to address immediate investment needs, maintenance across the historic court estate and improved energy efficiency.

More than £7 million will be spent in rural, environment and tourism projects, through the Forestry Commission, the national parks and VisitScotland. Investment in forestry will include work on long-distance paths, which will bring recreational and tourism benefits during this year of natural Scotland. We will also provide fresh investment for VisitScotland's network of visitor information centres in order to ensure a high standard of provision for our visitors in the run-up to and during 2014, when Scotland welcomes the world with the Commonwealth games, the Ryder cup and our next year of homecoming.

Nearly £7 million will be allocated to culture and heritage projects, through the National Theatre of Scotland, Historic Scotland, National Museums of Scotland and Creative Scotland, to improve cultural venues and maintain the existing culture and heritage estate.

There will be £10 million allocated to maintain our health estate. Investment will be targeted to tackle further the maintenance backlog that was identified in the report "State of the NHSScotland Estate 2011", which was published in February 2012.

There will be investment of nearly £20 million in further and higher education projects. That investment will enable us to support the development of the Roslin international centre for livestock improvement, which is at the cutting edge of collaborative academic development; to address pressing maintenance needs in the college estate; and to accelerate progress on the

proposed Kilbeg development on Skye, which involves Sabhal Mòr Ostaig and will ensure that the college continues to be a source of employment and economic and cultural regeneration in an area of low population. There will also be investment to allow the Gaelic education sector to expand, where there is pressure for growth.

One of our highest priorities is action on housing, which is why the Government is allocating a further £50 million to affordable housing. This is our fourth tranche of additional funding for housing this year; additions were also made in February, June and September. The Government has therefore allocated nearly £200 million of extra funding to housing this year, thereby demonstrating that where it has an opportunity to invest it does exactly that. The investment will not only increase the supply of affordable housing and social rented homes, but will support our construction sector, help to create jobs and stimulate economic growth.

A significant proportion of this investment will commence in this financial year, with the majority of projects starting construction in the first half of 2013-14. Taken together, the proposals will create jobs, boost the economy and bring lasting improvements to Scotland's asset base. I have made available at the back of the chamber a table that sets out the profile of investments. We will work with the organisations involved to provide more detail of individual projects over the coming weeks.

The changes that I am announcing today, which will deliver a building boom for Scotland, will be reflected in the forthcoming budget bill. I will welcome debate about the proposals as part of the budget process in the new year.

The Presiding Officer: The cabinet secretary will now take questions on the issues that have been raised in his statement. I intend to allow around 20 minutes for questions, after which we will move to the next item of business.

Ken Macintosh (Eastwood) (Lab): I thank the cabinet secretary for the advance copy of his statement.

Everyone likes to play Santa at Christmas, and I have no doubt that everyone who has been named today and who has been shouting up the cabinet secretary's chimney will be pleased to hear his news. Perhaps it is less clear what the impact of the decisions will be on the Scottish economy.

There has been concern about exactly how shovel-ready the Scottish Government's list of projects is. The cabinet secretary described his projects as ones

"that could begin construction by the end of 2013-14".

They do not sound all that shovel-ready to me. When does the cabinet secretary expect to see the first shovel in the ground? Can he guarantee that all the projects that he has outlined will be under way by this time next year?

A guide to the criteria that the Scottish Government will use to measure the success of its economic policy is also missing from the statement. Each project may be very worthy in its own right, but it is difficult to get a sense of exactly how many jobs will be created and how the economy will grow as a result of the investment. How will the cabinet secretary ensure that the funding secures maximum advantage to the Scottish economy and avoids the procurement disasters of the Forth replacement crossing process? Specifically, can he tell members whether he is insisting on contracts going to local Scottish small businesses, whether there will be guarantees on the number of jobs that will be generated or secured and on the apprenticeships that are awarded—

The Presiding Officer: You really need to end now, Mr Macintosh.

Ken Macintosh: Will the cabinet secretary include tax transparency, union recognition and the living wage among his criteria?

John Swinney: On the impact on the economy and the expectations of employment creation, my estimate is that the investment that I have announced today will support approximately 2,000 jobs across Scotland. I am not sure which statement Mr Macintosh was listening to, but I said:

"A significant proportion of this investment will commence in this financial year"—

that is, in 2012-13—

"with the majority of projects"—

Ken Macintosh: So, that is an admission that they will all be shovel ready.

John Swinney: The minority of money is available this year.

I said:

"A significant proportion of this investment will commence in this financial year, with the majority of projects starting construction in the first half of 2013-14."

In answer to Mr Macintosh's question about whether all the projects will be under way in a year's time, that will be halfway through 2013-14, which is precisely what I said in my statement.

On the question about the Forth replacement crossing procurement arrangements, the effectiveness of those arrangements has resulted in the release of an extra £25 million of resources

which are to be deployed on other capital projects. That is because the Scottish Government undertook an effective and powerful procurement process on the Forth replacement crossing, which is keeping costs under control and delivering economic benefits to others. In his peroration—if I can call it that; it certainly was not a question—Mr Macintosh invited me to break every single procurement rule that I am obliged by law to follow. If the Labour Party is now resorting to trying to get a soundbite out of suggesting that the Government should break the law, Mr Macintosh should think again.

Gavin Brown (Lothian) (Con): I thank the cabinet secretary for the advance copy of his statement and for acknowledging on the record that the money that was given by the UK Treasury, which was announced two weeks ago,

“will deliver a building boom for Scotland”.

However, what matters most for our construction industry is when the shovels will go in the ground, not when a project is announced or, indeed, reannounced, as happens in many cases. Will the cabinet secretary publish exactly in which month each of the projects that have been announced today will start on site? [*Interruption.*] Members on the Scottish National Party back benches may mutter, but we have heard big announcements about non-profit-distributing projects, but it turns out that only a tiny fraction of them will happen this year. That is why we are asking for a monthly breakdown.

Can the cabinet secretary also tell us which of the 43 projects on the shovel-ready list do not have planning permission?

John Swinney: I have no intention of publishing a monthly list to say when the projects will start. As Mr Brown well knows, the Government and its public agencies take forward a range of different capital interventions to deliver the capital programme. Some of the projects that I am announcing today, such as those on health maintenance and in the further and higher education sector, can—provided that the financial resources are available in the relevant financial year—start immediately.

The Government regularly updates the Public Audit Committee on progress on the capital budget and the capital programme, which is sufficient information for Parliament. We report annually on our deployment of the capital budget and we update the Finance Committee on the contents of the budget provision and the capital programme. In all those areas, the Government is fulfilling the need for a strong information flow to Parliament.

On Mr Brown's final point about the condition and deliverability of projects, we have always

made it clear that all the projects that are on our shovel-ready list are able to be delivered in 2013-14. That was, and remains, the position.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): In the light of the UK Government's extension of austerity to 2018, what risks for Scottish jobs are created by its continuing failure to fund fully the shovel-ready projects on the Scottish Government's list or—alternatively—to provide Scotland with the normal powers of an independent country so that we can do it for ourselves?

John Swinney: Stewart Stevenson highlights one of my frustrations in relation to capital expenditure in recent years. The widely accepted view has been that more capital investment by the public sector would have helped to support the process of growth in the economy in a sustained way since 2008.

We warned, when the austerity programme started in 2010, that there would be a consequential impact on economic activity; we take no pleasure in seeing that our view has been vindicated. The fact that the United Kingdom Government has now put in place more capital investment indicates that it got that wrong in 2010, and our persistent pressure has delivered a solution that will assist in the process. It is clear that we could have, if we had had that resource earlier, made more of an impact on the economy. However, we will now deploy that resource effectively to try to support the process.

On Mr Stevenson's final point, if Parliament had the full range of economic powers that any other independent country takes for granted, we could clearly make more of an impact.

Richard Baker (North East Scotland) (Lab): Housing associations have said that the Scottish Government's reduction in the housing association grant has prevented them from being able to build new homes—in particular, homes for people on the lowest incomes. Does today's announcement mean that the grant will now increase?

John Swinney: No, it will not. The Government has been able—I have gone through the detail before with members of Parliament and the Labour Party on countless occasions—to build more houses, despite the fact that we have reduced the level of housing support grant, by driving up efficiency in the programme. We are achieving the objective—which I thought would have united us all—of building more homes.

The challenge for the Government is to maximise the efficiency of the building programmes in order to ensure that the money has the biggest impact on our society. Members should forgive me for not following the direction that Richard Baker suggests, but I am more

interested in building as many affordable homes as I possibly can than I am in taking that route.

Kenneth Gibson (Cunninghame North) (SNP): I welcome the cabinet secretary's statement, in particular the announcement of Ardrossan's share of the £22 million and the fact that 93 per cent of the £205 million will be spent within 15 months.

The chancellor's partial U-turn still leaves Scotland—

The Presiding Officer: Can we get a question, Mr Gibson?

Kenneth Gibson: The chancellor's partial U-turn still leaves Scotland with a 26 per cent cut in its capital budget. Does the cabinet secretary agree that the UK Government should—as is suggested by people including Nobel laureate Joseph Stiglitz and Professor David Blanchflower—focus even more on capital investment and employment than on austerity and stagnation?

John Swinney: I have made no secret of the fact that I believe that the balance of the United Kingdom's economic policy has been wrong. We have seen some welcome changes in the past few weeks, with the UK Government recognising the significance that must be attached to capital investment projects. We will pursue those and will continue to encourage the UK Government to take a more balanced view in its economic policy—especially given that the Office for Budget Responsibility has downgraded significantly the forecasts for economic growth in the United Kingdom. That evidence suggests that the UK Government should take a different course of action.

Willie Rennie (Mid Scotland and Fife) (LD): I thank the finance secretary for the advance copy of his statement. In particular, I welcome the very positive news about the extra finance for housing.

However, many of the shovel-ready projects that were included in his November list have been excluded today. I want to understand his decision-making process and why he prioritised the projects that he has announced today, rather than the A96, the A68 and the health centres in Aboyne, Inverurie and Stonehaven. Why are those projects less important than the ones that he has announced today?

The cabinet secretary has said that he is not going to allocate the full £394 million that has been allocated by the UK Government. However, surely, a project such as the A9 would benefit from having early notice of extra funding so that that essential project could be brought forward.

John Swinney: I will explain to Willie Rennie the rationale behind selection of projects. If we

had put forward a list that totalled £820 million and we got only £360 million, there would be a bit of a mismatch between the two figures. *[John Swinney has corrected this contribution. See end of report.]* We cannot do everything.

I acknowledge Willie Rennie's interest in the various projects that he mentioned. If, however, we had supported those projects, we would not have been able to support some of the other projects that we have announced today. A particular emphasis in the selection of projects has been on progressing projects that will assist us in meeting our obligations in reducing carbon emissions, and in achieving our climate change objectives. I would have thought that Mr Rennie would have significant sympathy with the Government in relation to those aims.

On our not allocating the full consequentials for 2014-15, I observed in my statement that the United Kingdom Government is going to go through a spending review from the start of 2013, so I want to reflect the consequences of that in the Scottish Government's spending plans. That will require us to look with great care at the projects that we can support in the medium term, which is the correct planning environment in which to take things forward.

The Presiding Officer: Nine more members want to ask a question of the cabinet secretary. Therefore, I would be much obliged if members could cut out any preamble and come straight to the question. If the cabinet secretary's answers are as brief as possible, that too will be helpful.

Jim Eadie (Edinburgh Southern) (SNP): I thank the cabinet secretary for prioritising investment in cycling infrastructure to the tune of £3.9 million. Does he agree that it is deluded, misguided and ideologically blinkered to think that we can cut capital investment in the middle of a recession and still have economic growth, and that if only this Parliament had the economic powers that it needs—

The Presiding Officer: We get the point, Mr Eadie. Cabinet secretary.

Jim Eadie: —we would make our own decisions rather than be dependent on a UK chancellor?

John Swinney: I am glad that Mr Eadie has welcomed the additional investment in cycling, which comes on top of the other allocations that I made earlier in the year to support the move to more active travel. If we had a broader range of financial responsibilities, we could take a wider set of decisions in Scotland.

Elaine Murray (Dumfriesshire) (Lab): In his press release, the cabinet secretary identified £800 million of projects throughout Scotland that could get under way now. I presume that those

have already been identified. Can he, therefore, advise how much of the £50 million that has been allocated to affordable housing in 2013-14 will be allocated for provision of new housing for social rent?

John Swinney: As I said in my statement, there will in due course be more detail on the projects that are to be taken forward in dialogue with stakeholders. The details that Elaine Murray has asked for will be set out by ministers very shortly.

Joan McAlpine (South Scotland) (SNP): I thank the cabinet secretary for his statement. Will the Scottish Government continue to look for additional money to fund capital projects?

John Swinney: The point that I made in response to Mr Gibson's question indicated that, in the most recent autumn statement, we have seen a deterioration in the estimates of economic growth, so the evidence supports a continued expansion of capital investment. That will remain an argument that the Scottish Government makes to the United Kingdom Government to support economic recovery in Scotland.

Margaret McCulloch (Central Scotland) (Lab): In my area, people must accept a cut in their housing benefit because of a lack of one-bedroom properties. When I asked the Government for figures on such properties' availability, I was told that no such figures are held centrally. How will the £50 million that has been announced today alleviate shortages of affordable one-bedroom homes and help households that are faced with the double whammy of welfare cuts from Westminster and housing cuts in the cabinet secretary's spending review?

John Swinney: Clearly, local areas are best equipped to determine the balance of their housing requirements. I think that we would all accept that that is the right approach to take. In relation to the wider housing budget, I have made the point that the Government has allocated an additional £200 million of resources to the housing sector this year as a consequence of the various announcements that I have made, which I think will be broadly welcomed by the sector.

I understand, support and sympathise with Margaret McCulloch's concern about welfare reform. I encourage her to join the rest of us in doing something about that by trying to acquire the powers that would ensure that our country has a fair and decent welfare system.

Stuart McMillan (West Scotland) (SNP): I welcome the cabinet secretary's statement. Will the Scottish Government continue to press for a fuel duty regulator after the chancellor eventually listened to the case that was proposed by the Scottish National Party to scrap the increase in fuel duty?

John Swinney: I welcome the chancellor's decision not to apply the increase in fuel duty. That is a recognition of the severe pressure on households which, of course, is mirrored by the actions that we have taken to relieve the financial pressure on households through the council tax freeze. The Government continues to press for a fuel duty regulator, which is a fair and sustainable approach.

Patrick Harvie (Glasgow) (Green): I am happy to welcome the commitments to social housing and active travel, but did the cabinet secretary at least consider using some of the money to partly reverse his own revenue to capital shift, allowing him to match inflation for public sector pay in 2013-14 and see an end to real-terms pay cuts?

John Swinney: I acknowledge that, technically, the point that Mr Harvie makes is feasible, given that I could have relaxed the requirement on resource to capital transfers. The difficulty that I face is that I must ask public sector workers to work with us in dealing with the significant financial pressures that we face. My priority has been to maximise public sector employment as much as I can, given the constraints that have been applied to our budget. That will remain my stance. I acknowledge the pressure that public sector workers are experiencing because of pay constraints, but I remind Mr Harvie that the Government has, in its pay policy, provided for an increase in public sector pay, which has been reflected in settlements that are being offered by other parts of the public sector in Scotland.

Jenny Marra (North East Scotland) (Lab): Which of the five Dundee shovel-ready projects will go ahead? Will the cabinet secretary guarantee that the funding that he announced today will mean that Dundee shovel-ready projects will go ahead?

John Swinney: Further detail will be shared with Parliament by ministers in due course. Of course, a number of projects have emerged from the city of Dundee that need to be addressed, and I am sure that the city will benefit from the announcements that I have made today.

I remind Jenny Marra—I know how enthusiastic she is about complimenting the Government on the commitments that we make to the city of Dundee—that the waterfront development that is going ahead with tremendous activity at fantastic pace is, of course, financially supported by the Scottish Government. I know that she will want to put out a press release to compliment the Government about that.

The Government is also a strong financial supporter of the Victoria and Albert museum in Dundee—we made a big financial commitment to it. If my memory serves me right, I seem to

remember one of Ms Marra's press releases telling us that we would never support it in the first place.

Mary Scanlon (Highlands and Islands) (Con):

The Government's list of shovel-ready projects includes more than £300 million-worth of health projects, so why has health received only £10 million today, which is 1 per cent of the £1 billion that has been identified as being required for backlog maintenance?

John Swinney: As Mary Scanlon will know if she looks at all the funding arrangements that we have put in place for the health service in the round, the Government has given the health service strong financial support. The budget that is available to the health service has increased as a result of the passing on of the Barnett consequential, as part of the budget settlement that I announced in September. We have given that commitment for the duration of the parliamentary session.

The Government will take a host of different opportunities to strengthen investment in maintenance in the health service. Back in February, I announced that we would strengthen our maintenance commitment to the health service, and the Government will continue to look for any opportunities that present themselves.

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): The three announcements that have been made during the past year of extra money for housing have not changed by one iota the Government's previously announced objective of providing 6,000 affordable homes a year. How will today's announcement of an extra £50 million change that target?

John Swinney: I remind Mr Chisholm that shortly before the spending review in 2011 a number of stakeholders said that the Government would have to allocate about £610 million to deliver our commitment to build 30,000 affordable homes over a five-year period. We had gone beyond that level of funding, and we have gone further beyond it with the additional resources that I have announced today. Therefore, I am very confident that the Government's commitment on housing will be fulfilled. As a consequence of the four announcements that I have made during this calendar year, we have increased the housing budget by £200 million, which I think will be welcomed by the sector.

Water Resources (Scotland) Bill: Stage 1

The Deputy Presiding Officer (John Scott):

The next item of business is a debate on motion S4M-05229, in the name of Nicola Sturgeon, on the Water Resources (Scotland) Bill.

15:12

The Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities (Nicola Sturgeon): I am very pleased to open the debate on the general principles of the Water Resources (Scotland) Bill. During its consideration of the bill, the Infrastructure and Capital Investment Committee took written and oral evidence. At the outset, I thank the committee for the work that it has done. I also thank everyone who gave evidence to the committee, as well as those who responded to the Scottish Government consultations.

I have had the opportunity to read the committee's report on its findings, and I am pleased to note that the committee agrees that the bill's principles are sound. We all appreciate that Scotland's water resources are a precious commodity that should be protected and enhanced, not just for the here and now but for the benefit of future generations.

The committee has made a number of extremely helpful recommendations about the bill. I make it clear at the outset that I will give each and every one of those points serious consideration. I will, of course, respond fully to the committee in due course. I am considering amendments that might be lodged at stage 2. I note the considerable weight of opinion among stakeholders that in part 1 of the bill the value of our water resources should be expressed not solely in economic terms, but in terms of the social and environmental benefit that derives from them. Our intention was never to drive economic benefit to the detriment of social or environmental factors, as those always need to be weighed up and balanced, but I have decided that I will lodge an amendment in that area at stage 2 to make that absolutely clear.

In Scotland, we are very fortunate that we have a relative abundance of water. We have a beautiful water environment and, in Scottish Water, we have a highly successful public corporation. We are fortunate in that regard, but others around the globe are not so fortunate and we have a responsibility to help them.

The bill acknowledges the importance of water as a natural asset and it places a duty on ministers and others to develop Scotland as a hydro nation,

which is one that utilises its water resources to their fullest potential. The bill also aims to further improve our management and protection of the water environment. It is a deliberately ambitious agenda, and it is important to be clear that the work of building Scotland into a hydro nation will not be achieved through legislation alone, important though the bill is.

It is also important that we progress the programme of work that is being developed alongside the bill. In that regard, I was pleased to address the hydro nation, global ambitions conference earlier this month, which also saw the hydro nation forum convened for the first time. The event was hosted by the Scottish Council for Development and Industry, which demonstrates that the business community recognises the importance of the agenda and also that the business community has an important part to play in the success of the agenda.

The hydro nation forum brings together a high-calibre group of water experts to give new insights and impetus to the hydro nation programme of action. The forum will provide a place for debate and knowledge exchange, helping us to shape the hydro nation programme of work.

Water is an essential component of every national economy and its good management is critical to the delivery of the sustainable low-carbon future that we all aspire to. However, we have to be mindful that one in eight of the world's population does not have access to clean water, and 2.5 billion people live without basic sanitation. As the world's population continues to grow and with the impact of climate change, water availability will become even more critical. Scotland clearly has a responsibility to bring our expertise to bear for the benefit of the global community. We have built up knowledge and expertise that I believe can be beneficial elsewhere.

Neil Findlay (Lothian) (Lab): I cannot disagree with what the minister has said so far. I am sure that she will agree that the fact that many people in the world do not have access to water concerns people around the globe. There is also a concern that many transnational corporations see the provision of water and the control of that essential resource as a tremendous business opportunity in the developing world. I am sure that the minister will join me in trying to ensure that there is no exploitation of such countries when they are trying to provide clean water for their people.

Nicola Sturgeon: I take that point. Perhaps when I come on to the section on the abstraction of water, Neil Findlay will see that, in how we intend to manage our own resources, we seek to show a good example to others around the globe.

I hope that we can all agree that we have a responsibility to use the resource that we have, as well as the expertise that flows from having that resource, to help people around the world. To give a specific example of how we are doing that, Scottish Water, the Scottish Environment Protection Agency and the James Hutton Institute are already working with the Government of Malawi. Those water experts are discussing the management and governance of water and waste water and they have the full support of the Scottish Government in that endeavour.

In addition to offering support to developing nations, there are commercial opportunities for Scotland to develop in this sector—I say that deliberately but, in so doing, I am mindful of Neil Findlay's point. We have expertise in water governance; we have academics with specialist knowledge of global water issues; and we have a track record of developing new and innovative technologies in the sector. Scottish Water, for example, is providing technical advice to the water industry in Qatar. We have a number of enterprises providing water services, for example Biomatrix Water in Moray. Those enterprises are also operating internationally, delivering ecological engineering services. We have a responsibility to encourage collaboration, support innovation and encourage fresh approaches.

To turn back to the bill, the committee commented in its report on the importance of partnership working. I thoroughly agree with that—partnership and collaboration are key themes running through this work and the broader hydro nation programme.

Although part 1 lists as key organisations Scottish Water, Scottish Enterprise, Highlands and Islands Enterprise, Scottish Natural Heritage and the Scottish Environment Protection Agency, that list is not exclusive or exhaustive. Those organisations are important to the development of the value of our water resources, so the provision enables ministers to direct them in relation to that agenda. However, the hydro nation agenda covers such a broad range of activities that it would clearly not be possible to list all the participants. From academics to engineers, from those involved in the industry to individual land managers and farmers, there are diverse roles and different types of partnerships.

Bringing together those different organisations across sectors will be challenging, but it is vital to ensure that we invigorate new relationships, encourage different working practices and foster the sharing of experience. The bill seeks to encourage partnership working across different sectors and within communities. There is no wish to impact on existing local partnerships or agreements where those are working well. For

example, good work is already under way on sustainable approaches to land management and in many other areas.

In addition to helping others, of course we must manage our resources wisely. That is why the bill gives Scottish Water the power to take steps to investigate and locate the source of issues that have an impact on its raw water quality. Drinking water quality and public health are critical issues, and it is vital that our water is of the highest quality. Our very clear expectation is that Scottish Water will work with the owner of land to agree access for monitoring purposes. Ultimately, if something is entering the water supply that should not be there, removing it at source is far more efficient than resorting to treatment further along the network.

The committee has also commented on the bill's provisions on the abstraction of water, which I mentioned earlier. Abstraction—the process by which water is taken from a river or other water body for a specific purpose—is regulated by SEPA using the controlled activities regulations. When an application for an abstraction is made, SEPA will consider the request and the impact of the abstraction on that water body from an environmental perspective and then decide whether to grant a licence. We have taken the view that that environmental focus, although important, is not sufficient, and that is why we have inserted the abstraction provisions in the bill.

I appreciate that the late inclusion of the abstraction regime in the bill meant that it did not form part of the formal consultation process. However, officials have been in discussion with stakeholders to explain the background and to provide reassurance about the intention behind the provisions. I want Scotland to continue to be a great place to do business and we want new enterprises to be attracted to Scotland. As a relatively water-rich country, we may well increasingly see businesses that are heavy users of water wanting to move into Scotland, and we want to encourage that business growth.

Mary Scanlon (Highlands and Islands) (Con): Given that part 2 was not consulted on and is a late addition to the bill, will the cabinet secretary also take into account the fact that 66 per cent of the water abstracted by the Scotch whisky industry goes back into the environment within a matter of hours? Will the abstraction regime measure consumption, as opposed to total abstraction?

Nicola Sturgeon: As I said, there has been on-going discussion with stakeholders including the Scotch Whisky Association—I have personally discussed the issue with the SWA—and we will continue to seek to give them reassurance that nothing in the bill is intended to, or will, compromise their ability to continue to grow the

sector. I am sure that we will come back to that issue at stages 2 and 3.

As I said—this relates to Mary Scanlon's point—we want both indigenous businesses and new businesses coming into Scotland to grow, but we also have a duty to protect our natural resources for the long term. An important point is that the threshold in the bill is 10 megalitres of water per day. An application will be required to be made only where the abstraction is greater than 10 megalitres per day, which is the level at which ministerial consent will need to be sought. That is precisely to enable ministers to consider whether the abstraction is in our wider and longer-term interests and whether it is in the right location, with the right infrastructure, business and other support. That will not alter SEPA's role as the environmental regulator—a controlled activities licence will need to be sought in the usual manner—but it will enable ministers to take a broader view and look to the future, which is a future where our water assets will be increasingly valuable in a world of growing water scarcity.

In my remaining time, I will briefly mention Scottish Water, which, as we all know, is a highly performing public sector organisation, and we intend to ensure that it continues to be that. The challenge for Scottish Water is not just to maintain high standards but to continue to drive forward with efficiency and to improve water quality and waste water infrastructure. The current programme of investment runs until 2015, but Scottish Water as a business must look far ahead, anticipating risks and opportunities for its business. Changing weather patterns and population and climate change will all impact on its network. Scottish Water must ensure the resilience of the infrastructure and build new capacity where it is needed. Resilient infrastructure is vital. Part 7 therefore deals with water shortage situations.

As I said at the outset, I appreciate the report that the Infrastructure and Capital Investment Committee has prepared at stage 1. A number of issues were raised, all of which I will consider. I mentioned one amendment that I intend to lodge at stage 2, but I will listen carefully to points that are made in the debate and feed those into the further consideration of our approach to stage 2. I look forward to the debate that will follow.

I move,

That the Parliament agrees to the general principles of the Water Resources (Scotland) Bill.

The Deputy Presiding Officer: We are tight for time so, to protect speakers in the open debate, I ask members to stick to their times, including interventions.

15:26

Maureen Watt (Aberdeen South and North Kincardine) (SNP): The Infrastructure and Capital Investment Committee welcomes the introduction of the Water Resources (Scotland) Bill and has agreed to recommend to the Parliament that the general principles be agreed to. Our stage 1 report sets out how we arrived at that conclusion. The committee received evidence from a wide range of water interests, including domestic and commercial water users, environmental and energy bodies, industry specialist engineers and academics plus, of course, Scottish Water. I thank all those who gave written and oral evidence, those who hosted our visits to their premises and the clerking team, for their sterling support.

The evidence supported the basic premise of the bill that, although we are fortunate to have such an abundant water resource in Scotland, we must recognise more fully the value of that resource and learn to make more efficient use of it. As the committee heard in evidence, the bill, together with the Scottish Government's hydro nation agenda, will put Scotland at the forefront of water policy making in the developed world. The benefits for Scotland could be substantial. In the global context, growing stress is being placed on the world's water supply, due to an ever-increasing global population. As a result, many countries are becoming more and more interested in finding ways to make better use of what water they have.

The committee has heard about the work that Scottish Water is already doing through its international operations. It has won consultancy and training contracts in Canada, Ireland and, more recently, Qatar. To respond to Neil Findlay's point, I say that he will find that the United Nations Educational, Scientific and Cultural Organization centre for water law, policy and science at the University of Dundee is, for example, working with countries along the River Euphrates to get some agreement on water abstraction. Scotland's expertise in water matters is clearly in demand, and the bill recognises that. There is an opportunity for Scotland to develop what it is already good at doing in the water sector, to continue to grow its expertise in sustainable water management and to increase its competitiveness on the world stage.

Neil Findlay: I welcome what the member says, but the main point that I made was that, although we should go abroad and help countries to develop their infrastructure, we should not be complicit in any moves by private companies to exploit those countries by privatising their water systems.

Maureen Watt: Scottish Water is helping overseas countries with precisely that, although it

is not so much about infrastructure and more about how countries determine the governance of their water supply. That is part of what Scottish Water is doing.

Given the abundance of our resources, it is probably fair to say that Scotland is the envy of the world. After all, we tend to be good at managing our liquid resources. Other countries just seem to bottle it, but we bottle it and export it, and we do lots of other things with our water.

The committee agrees that the bill will go some way towards establishing a framework that will allow us to make the most of our water resources. The message that we received from witnesses is that there is strong support for that direction.

In addition to the positive comments that we heard, I will talk about some of the concerns that were raised with the committee. Although the committee's view is that the negative comments do not call into question the general principles of the bill, our report makes recommendations that are aimed at improving it.

As the cabinet secretary said, the almost unanimous view of witnesses was that the bill places too much emphasis on developing the economic value of water and does not say enough about environmental and social considerations. From the evidence that the committee received, it seems to be widely accepted that the three pillars of sustainability—economic, environmental and social—need to be given equal weight when we are seeking to develop the value of our water resources. The committee agreed that, if the bill is to specify economic value, there is no reason why it should not also include environmental and social considerations. I welcome the commitment that the cabinet secretary has given today to lodge an amendment on that point.

Part 2 deals with water abstraction. Alex Johnstone took a lead in questioning on that part of the bill, so I will not steal his thunder and will leave him to cover that in detail. That said, I draw the Parliament's attention to the evidence that the committee received that reflected a general lack of understanding on the part of witnesses about the intended purpose of the new abstraction regime. It appeared to the committee that that was due, in large part, to a lack of consultation on that element of the bill because it was added just prior to the introduction of the bill. It is also fair to say, however, that some witnesses were confused about whether the new regime would add anything, given that the current CAR system already includes some abstraction control. As our report says, we felt that it was necessary for the cabinet secretary to engage directly with organisations to discuss the intended purpose and effect of the proposed abstraction regime. We called for a programme of engagement to be

carried out prior to stage 2, and I welcome the cabinet secretary saying that such a programme is already being undertaken.

Other concerns were raised with the committee about the proposal that would actively encourage Scottish Water to develop its commercial activities in, for example, the renewable energy market. Serious concerns were raised with the committee by businesses that operate in the renewable energy and waste management sectors. They feared that the bill would give Scottish Water an unfair commercial advantage, based on its status as a Government-funded public body. The committee examined the issue in detail and questioned the Water Industry Commission for Scotland, the water industry regulator, as well as the cabinet secretary, about the proposals in the bill. We are content with the assurances that we received. It seems clear to us that the intention is that Scottish Water's non-core activities will be entirely separate from the core services for which it receives public funding. Thus, there is no question of public funding being used to support Scottish Water's commercial activities. Of course, it is the WICS's responsibility to regulate Scottish Water's activities, and the Parliament will have a continuing scrutiny role in ensuring that the regulator continues to do its job properly.

Finally, I will touch on the bill's wider context and the hydro nation agenda. In considering the bill, particularly the expansion of Scottish Water into commercial and international markets, we must have regard for the interests of water customers in Scotland. We must ensure that water customers are protected. There is also scope to go further by, for example, enabling benefits that are derived from the development of Scotland's water resources to be passed on to customers in the form of lower bills. The cabinet secretary has indicated that the bill and the hydro nation agenda should bring positive benefits for customers directly and indirectly. The committee will wish to focus on the interests of customers, and we have an ideal opportunity to do so as we move towards the next water regulatory period, which will run from 2015.

The objectives that are set out in the early part of the bill and in the hydro nation agenda are ambitious and require substantial co-ordinated action by the Government and other public bodies in order to achieve them. If the bill is passed, my committee will take a close interest in these activities. The committee's wish is that the new prominence given to water environment issues must have substantial gains for the Scottish people.

Today's debate coincides with moves at European Union level to encourage greater efficiency in water use. The European

Commission's water blueprint has just been announced amid disappointing results for the implementation of river basin management plans, which have been implemented by only 53 per cent of member states. Europe needs to do more to use its water resources sustainably and efficiently, and if Scotland plays its cards right, it can show the way for the rest of Europe.

When the bill was published under the previous cabinet secretary, there was great media interest in the idea of exporting water by pumping it south or tanking it abroad. That issue did not greatly exercise us but, as the Presiding Officer knows, our food and drink exports such as beef and lamb require rich grassland, and salmon, whisky, beer and other such products require a lot of water. As a result, we actually export a great deal of virtual water—it is amazing what one can learn in this place.

On behalf of the committee, I recommend that the bill's general principles be agreed to.

15:36

Richard Baker (North East Scotland) (Lab): I congratulate the committee on its work on the bill. As is evident from the convener's speech and from the report itself, the committee has been diligent in its scrutiny and has highlighted the key issues, including those that require more work from ministers and those that have been the subject of dispute in what is a largely uncontentious bill. I believe that the committee has reached the right conclusion that we should support the bill's general principles and, although there are issues to resolve, we agree that the legislation will have a largely positive effect.

It is fair to say that the bill does not live up to the expectations that there might have been about its significance. Given the language used by the First Minister when the bill was first announced, many people will have expected something a bit more momentous. Ministers argued that the legislation would have a transformational effect on Scottish Water, its impact on our economy and the way in which we protect and promote Scotland's huge natural water resource. We were told that ministers had increased their ambition for the bill and, in June, *The Times* reported that the First Minister had decided that Scottish Water should be run as a public benefit corporation along the lines of Network Rail.

However, none of that has come to pass. Ministers have rafted back from such indications and, indeed, have been wise to do so. Although other parties have argued—and might well argue again today—that changing Scottish Water's structure and ownership will release significant funds for the Scottish Government—[*Interruption.*]

I hear Mr Johnstone already commenting on that from a sedentary position, but I have to say that it is far from clear that that would be the case, or what impact it would have on the block grant under Treasury rules.

Although the hydro nation policy itself might be described as ambitious, I am not sure that the terminology is right for the bill. What we have is a bill that places a duty on the Scottish ministers to take reasonable steps to progress the hydro nation agenda. I remain to be convinced that legislation is really necessary in that regard and, indeed, the committee's report notes that the specific duty on the Scottish ministers to develop the value of Scotland's water resources does not actually place new powers or responsibilities on them.

That said, we broadly support the hydro nation agenda. It is right that we take steps to maximise the economic and environmental potential of the management of our water resources and to promote internationally our expertise in those respects. The cabinet secretary's predecessor was given to making rather overblown claims about exporting massive amounts of our water south of the border—the convener touched very diplomatically and very well on that point in her speech—but nevertheless there are many other areas in which Scottish Water has the capacity to expand its business and boost our economy. It is right that we focus on such opportunities. In recent years, Scottish Water has had considerable success in many areas, one of which is its increasing international activity. I also welcome the cabinet secretary's comments on Scottish Water's work in Malawi; it is good to hear that its expertise is being used to good effect beyond simply its business ambitions.

On the economic contribution to Scotland that is made by Scottish Water, Jim and Margaret Cuthbert made an interesting submission to the committee on Scottish Water's approach to outsourcing activities and procurement, which they say has resulted in a situation in which management skills and research and development seem to be almost completely derived from outside Scotland.

They advocate Scottish Water adopting a procurement policy that is aligned with sustainable economic development. That is in line with the proposals in the excellent paper on procurement that they produced for the Jimmy Reid Foundation. Although I have debated other matters with the Cuthberts, I say to the cabinet secretary that their paper on procurement should be required reading ahead of the publication of the long-awaited procurement bill early next year.

There has also been discussion of the definition of the value of water in the bill and the committee

has made the case that adding environmental and social elements would provide clarity and balance to the definition. I was therefore pleased to hear the cabinet secretary say that she accepts that point and will make the appropriate amendments at stage 2. The committee also asked the Scottish Government for clarity on whether peatland habitats are covered by the reference to water resources in the bill. I know that environmental groups were concerned about that and I would be interested to hear the cabinet secretary's comments on the matter.

In terms of the economic focus of Scottish Water, we acknowledge the broad welcome that there has been for the clarity that has been brought to the definitions of core and non-core services, and it is right that the Scottish Government should be able to lend directly to Business Stream. There is clear logic behind the new powers to enable licensed water and sewerage service providers to demand and recover charges from non-domestic customers in situations in which payment is due. All of those kinds of provision are right and sensible.

However, in a number of other areas of the bill, there are further questions to be asked about the purpose of the legislation. There are laudable intentions behind many of the provisions, such as those on the maintenance and improvement of water quality and the protection of the sewerage network by ensuring that businesses that are responsible for the blockage of the network are responsible for those costs. However, some people, including people from business organisations who contributed evidence to the committee, have asked whether there is really a need for Scottish Water to have those new powers, given that in a number of areas there are already regulatory regimes operated by SEPA and others. If new powers are addressing a problem that exists in the current set-up, then of course they are required. If that is not the case, then it is right to ask whether there is a need for new legislation.

Part 2 of the bill, on abstraction, is a case in point. As the proposals on abstraction were not part of the consultation process, the committee was right to ask the minister to undertake further consultation on the issue before reporting back ahead of stage 2.

It is right that there should be oversight of major industrial and commercial abstraction of water, but ministers need to make a stronger case for the need for additional powers beyond the controlled activities regulations licensing regime that is operated by SEPA, to which the convener of the committee referred earlier. More consideration also needs to be given to the list of exempt organisations. Mary Scanlon pointed to the

example of the Scotch Whisky Association, which has made strong representations on the issue. The committee also reported that there was little understanding of why 10 megalitres of abstraction had been set as the threshold for ministerial approval. Further clarification of that will be useful.

Other provisions, such as those on water shortage orders and common maintenance of private sewage treatment systems, are sensible, and seem to improve on the regulations that are already in place. However, as I have said, there are a number of areas that require further reflection, particularly as some of them will mean new regulatory regimes where there is already a regime in place, and potentially new costs to businesses that are in challenging economic conditions. If the regulations are necessary, then of course they have to be there, but we need to be sure that they are indeed required.

I hope that the cabinet secretary will reflect on some of the points that have been made in the course of the stage 1 consideration and we look forward to her engaging with the committee on them at stage 2.

In general terms, the bill is beneficial. In some cases, that benefit is only marginal, but where it will make it easier to pursue the hydro nation agenda, that is welcome.

We agree that Scottish Water and our natural water resources represent an area of significant potential for Scotland, and ministers are right to bring a focus to that work. That is why we will support the general principles of the bill.

15:44

Alex Johnstone (North East Scotland) (Con):

I will start with something that Richard Baker has raised already. The hydro nation agenda was introduced with a great deal of high-profile publicity and hyperbole. However, at the end of the day, we got a rather more down-to-earth approach to the objectives that lie behind the bill. Although some members may view that as a criticism, I assure them that, coming from me, it is praise that the Government got down to its job and tried to do it correctly.

The bill comes in a great many parts—eight in total. Members will forgive me if I do not address them all individually during the next six minutes, but I will try to deal with those that concern me most.

Part 1 contains the vision. It might have been rather larger had the Government wished to take the hyperbolic approach. However, it sets out the vision in fairly plain language, allows us to understand what the objectives behind the bill are and introduces a number of additional

responsibilities in terms of activity by ministers and reporting on that activity.

It has already been mentioned that, during the committee inquiry, I took most interest in part 2, on abstraction. Although I will pass on to my colleague Mary Scanlon the responsibility to talk about most of the abstraction issues, I repeat the accusation that has already been made and will be made again in the debate that there was a lack of consultation in the build-up to the bill's introduction. It came as a surprise to many that abstraction was addressed in the bill and it remains a concern that a full consultation exercise did not take place. I fully accept the answer that ministers gave to the committee and that the cabinet secretary gave again in her opening speech that a dialogue continues with the industry. However, that is no substitute for a formal consultation exercise. Many of the misunderstandings that the committee came across during its inquiry were the results of a failure to consult adequately at the appropriate stage. There are still challenges ahead of us in relation to that.

Part 3 is the most important and I will spend the most time on it.

When Scottish Water was created, it replaced a Scottish water industry that was difficult to manage and was succeeding or failing in various degrees. It was important that we had a structured approach to dealing with the industry's problems.

Ten years down the line, Scottish Water is a success story. The company has a collection of individuals in management and a collection of skills that are far greater than the sum of their parts. As a result, there is a great deal of opportunity to exploit the assets, both people and property.

The Conservatives have suggested on many occasions that the best way to release Scottish Water is to allow it to become a private company so that it can become yet one more Scottish success story.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): Will Alex Johnstone give way?

Alex Johnstone: No, not at this stage.

Unfortunately, it is unlikely that we will command the majority in the Parliament required to change Scottish Water into a private company. However, the changes that are taking place as a result of the bill in effect give the company the opportunity to do many of the things that it could do in the private sector but permit it to do so within a public sector model.

Bruce Crawford (Stirling) (SNP): Will Alex Johnstone give way on that point?

Alex Johnstone: I am about to take a step back from my previous argument and examine the changes that are proposed in the bill. I welcome them, as far as they go.

The issues raised during the committee inquiry concern the way in which Scottish Water will function in relation to private sector companies and the existence of competition.

The separation of core and non-core activities is critical to the success of the changes that the bill will introduce.

It is essential that we are confident that private companies will not suffer as a result of unfair competition from a company that the Scottish Government supports. I was significantly reassured by the answers that the committee got a number of times in taking evidence that suggested that the separation will be defined enough to ensure fair competition.

Scottish Water has a strong opportunity to exploit resources for the provision of renewable energy. Of course, it is one of the major energy consumers in Scotland. It is vital that it can exploit that opportunity.

Stewart Stevenson: Will the member take an intervention?

The Deputy Presiding Officer: Alex Johnstone is in his last minute.

Alex Johnstone: I do not get much time in debates and I need to finish my points.

I will deal briefly with other parts of the bill. The changes that are taking place are largely justified and we will be happy to support them.

The Deputy Presiding Officer: You have 20 seconds.

Alex Johnstone: It is perhaps ironic that part 7 relates to water shortage orders. At some point in the distant future, there might be days when Scotland experiences a water shortage again, but that is certainly not happening at the moment. I hope for and dearly look forward to the day when we can test such provisions.

The Deputy Presiding Officer: You must close, please.

Alex Johnstone: However, I do not see that day happening.

15:51

Jim Eadie (Edinburgh Southern) (SNP): In a nation that is blessed with as many natural resources as Scotland has, water has a special place as perhaps our most precious and important natural resource. Scotland's relationship with water is deeply ingrained in our national psyche.

The resource provides us with our drinking water, is home to our fish and sustains our rich and varied natural habitat. It provides a focus for leisure and recreation activities and it is vital to life, our environment and our economy.

The Scottish Government's ambition to make Scotland a hydro nation reflects the importance that we place on our water resources. As Scotland seizes the opportunity to lead the world in tackling climate change, we also have an opportunity to demonstrate leadership in meeting the challenges that the management of water resources presents around the world.

The bill will place a clear and explicit duty on the Scottish Government to develop the

"value of Scotland's water resources".

To do that, the Scottish ministers will have additional responsibilities to

"take such reasonable steps as they consider appropriate",

as the Deputy First Minister said. The bill will help to ensure that Scotland's water has a sustainable future and will underline the worldwide contribution that Scotland has to make—which previous speakers have outlined—in areas such as water technology, governance, management and regulation. The bill will also play an important role in cementing Scottish Water's international profile as a leading player in the water sector.

Notwithstanding specific concerns that I and other members have about the need for infrastructure investment in our communities, Scottish Water delivers one of the United Kingdom's largest investment programmes for the lowest household bills. It will remain a successful and innovative public corporation.

The bill confers on Scottish Water the ability to do anything that it

"considers will assist in the development of the value of Scotland's water resources"

and proposes a new duty on Scottish Water to take reasonable steps to develop its property, assets and expertise to promote the next generation of renewable energy. The bill will ensure clear and adequate separation between Scottish Water's core and non-core functions, which will protect customers from increased bills.

During the Infrastructure and Capital Investment Committee's consideration of the bill at stage 1, we heard evidence that profits from the non-core business could subsidise Scottish Water's core functions and possibly reduce customers' bills. However, it is vital that the customer does not pay higher bills as a result of any shortfall in any of the functions of Scottish Water's non-core business. When I questioned the cabinet secretary on that point, I was pleased to receive her assurance that

“Scottish Water’s regulatory regime”

is

“very clear about the protection of core services and”

stipulates

“that nothing in the non-core part of Scottish Water’s services should be subsidised by the money that people pay for water and sewerage services.”—[*Official Report, Infrastructure and Capital Investment Committee*, 7 November 2012; c 1094.]

Rather, Scottish Water’s commercial activities should support the Scottish Government’s overall purpose of increasing sustainable economic growth and the strategic objective of making Scotland greener.

In the evidence, a number of key stakeholders raised concerns about Scottish Water’s environmental impact. That point was well made by the committee’s convener earlier.

RSPB Scotland pressed the importance of creating in the bill

“a clear requirement to ensure that any use of Scottish Water assets for renewable energy generation is sustainable and balances social and environmental impacts.”

That point was echoed by Scottish Environment LINK, which stated that it is crucial that any duty on Scottish Water to develop the value of water resources ensures that development is sustainable and includes sufficient provision for the development of assets to achieve the correct balance between the social and environmental impact. Again, the cabinet secretary said in evidence to the committee that the current definition of value notes the importance of the economic contribution, but that it should not be

“to the detriment of other factors, such as environmental or social benefits.”—[*Official Report, Infrastructure and Capital Investment Committee*, 7 November 2012; c 1089.]

The Scottish ministers will expect Scottish Water to deliver its core functions with increasing efficiency, as was stated earlier, and at a standard that the people of Scotland expect and deserve. That impacts on every aspect of Scottish Water’s business, from corporate governance and accountability right down to the infrastructure that serves our local communities.

I have been contacted by constituents of mine from the Shandon area who have suffered no fewer than four serious flooding incidents with sewage-soiled water in the past 16 years. Those floods have arisen because of limitations in the physical capacity of the existing infrastructure. Scottish Water admitted in an email to me this week that it

“would require to carry out a capital investment project to provide additional storage or upsize the existing sewer.”

However, as yet, Scottish Water has refused to place those properties on the internal flood register. It stated that in order to qualify for inclusion on the register, a property must be assessed as being at risk of flooding during a

“1 in 10 year storm event.”

A previous event in July 2011 was assessed as being a one in 331-year event. Given that the flooding has happened four times in the past 16 years, that is understandably difficult for my constituents to accept. I am sure that other members of the chamber face similar issues.

There are therefore issues for Scottish Water regarding accountability. I am concerned that Scottish Water is the judge and jury in its own court when it comes to investment decisions. Is there no place for independent scrutiny of its assessments? I am sure that further clarification on that point would be welcomed by MSPs and the people we represent. As Scottish Water takes on new and onerous challenges to develop our most precious natural resource, it must not be allowed to forget its obligation to customers and people in my constituency and across the country.

15:57

Margaret McCulloch (Central Scotland) (Lab): Water is more than a prized natural resource; it is an essential that we cannot do without and a resource on which key industries such as agriculture, food and drink, manufacturing and the energy sector all depend. We should never underestimate the value of our water; equally, its value should not simply be measured in pounds and pence or even just in terms of what it can contribute to the economy. The sound management of Scotland’s water resources brings social and environmental benefits that are not easily quantified but which are nonetheless important to who we are and how we live.

Too many people around the world confront barriers that prevent them from accessing clean drinking water, let alone water for any other purpose. Those barriers are heightened by climate change, rising global demand and globalisation. Even here in the United Kingdom, there are parts of these islands where demand outstrips supply. Scotland is water rich, but, because of their high population density, our nearest neighbours in England and Wales face water scarcity not unlike that experienced by some Mediterranean countries. Drought occurs on average every seven years in England and Wales, especially after the country goes through a dry winter, as it has now done for two or three years in a row.

That is the backdrop against which the bill is being taken forward, which is why the decisions that we take about our water in the next few weeks

and about the stewardship of that resource in future are so important.

The bill should lead to a framework not just for managing our water, but for realising the full value of the resource—for the benefit of Scotland. In that context, the bill refers to “economic and other benefits”. I support calls for greater clarity on that point, so I appreciate the cabinet secretary’s earlier remarks and I look forward to the amendment.

If by “other benefits” the Government means social and environmental benefits, as the cabinet secretary indicated, it should be explicit about that in the bill. Innovation and creativity in how we manage our water can not just contribute to the economy but improve our environment and communities. The committee will welcome that simple but significant amendment to the bill.

I associate myself with members who have welcomed new rights for people who seek to repair septic tanks in common ownership, new access rights for people who monitor water quality and new offences in relation to the illegal passing into the sewer network of substances such as fats and acids.

The Scottish Government must clarify what it means by economic benefit and how it expects Scottish Water and the Scottish ministers to secure such benefit. We all agree that Scottish Water should be an efficient, competitive and high-performing organisation, but if we are serious about an all-Scotland recovery and about pulling together to build up our shared prosperity, we must examine Scottish Water’s role in the wider economy.

Scottish Water is a publicly owned corporation and I do not accept that it can contribute to the nation’s economic success only if it is privatised. If it has an ambitious framework and there is the possibility of further reform in the new year, Scottish Water can make its considerable budget go further and treat public procurement as a way of delivering jobs and new opportunities in Scotland, rather than just a transaction.

In response to the consultation on the bill, Jim and Margaret Cuthbert pointed out that of the 16 partners who deliver Scottish Water’s capital investment programme, only three are Scottish firms. Even if firms employ people in Scotland, the involvement of foreign-owned firms, along with the outsourcing of key Scottish Water functions such as R and D and design and construction, is stripping skills and experience out of the Scottish economy. As we await the introduction of the procurement bill in the new year, we should reflect on what “economic benefit” means and on how a new framework for Scottish Water will help

Scotland to retain its world-leading position in the field.

Many responses to the consultation and submissions to the committee were thoughtful and helpful. I hope that the Government will continue to take on board the points that have been made, particularly in relation to the meaning of “value” and “economic benefit”. Scotland’s water is one of our greatest and most abundant natural resources. Precisely because that resource is so crucial, I reiterate to the cabinet secretary the need for clarity and caution as the bill proceeds through the Parliament.

16:02

Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP): It is fair to say that the Water Resources (Scotland) Bill is not the most controversial bill that the Parliament and its committees have considered. That is not to say that making the most of Scotland’s water resources, as the bill seeks to do, is not vital.

Scotland is a lucky country when it comes to natural resources. We have a superabundance of fresh water. Indeed, I am told that the volume of water in Loch Ness is nearly twice that of all the standing waters of England and Wales combined—that is fascinating fact number 1.

What is more, our water quality is among the best in the world. In Europe, Scotland is recognised as a leading nation in achieving the standards that are required under the European water framework directive.

We also have a high-performing water industry, led by our publicly owned Scottish Water, which supplies high-quality water and waste water services, supporting economic growth while protecting our health and environment, at much better value for the customer than is the case with Scottish Water’s privatised rivals down south—Alex Johnstone, please take note.

Given the Liberal Democrats’ position on Scottish Water, I am a little surprised and disappointed that no Liberal Democrat MSP saw fit to participate in the debate.

In addition to the growing excellence of Scottish Water, we have a strong academic base and innovative small and medium-sized enterprises. Therefore, in an increasingly water-stressed world, Scotland is well placed to develop into a world-leading hydro nation, as the cabinet secretary ably showed in opening the debate.

From the evidence that the committee gathered, it is fair to say that there is broad consensus among all stakeholders on the desirability of pursuing the hydro nation agenda, and broad support for the bill’s intention of doing so. That is

reflected in the committee's recommendation to the Parliament that the general principles of the bill be agreed to. That is not to say that there are no areas of contention that the Scottish Government will need to address at further stages of the bill. The most prominent of those areas relate to the provisions in parts 1 and 2 of the bill, to which I will confine my remarks.

Part 1 places a duty on the Scottish ministers to take all reasonable steps to develop the value of Scotland's water resources. In itself, that will, of course, sharpen the Parliament's focus on holding ministers to account. There is a strong case for consolidating annual reporting to Parliament on the hydro nation agenda and incorporating scrutiny of not only the bill, when it has been enacted, but the implementation of other relevant water-related legislation, such as the Water Environment and Water Services (Scotland) Act 2003 and the Flood Risk Management (Scotland) Act 2009. We look forward to the cabinet secretary's proposals in that regard.

The main point at issue relates to the definition of the value of water. The bill emphasises the development of the economic value of the resource and does not refer explicitly to the social and environmental elements of value. I agree with the witnesses who argued that the legislation must ensure that any future development of Scotland's water resources is entirely sustainable and must seek to protect and improve the natural environment. In its briefing for the debate, the RSPB suggested adding in a sustainable development duty akin to that in the Marine (Scotland) Act 2010, which should reinforce that intention. I look forward to discussing such an amendment at stage 2. Similarly, the bill and the hydro nation agenda need to link in with other policies, such as those in our climate change legislation, and the EU's blueprint to safeguard Europe's water resources, which recommends efficiency measures to save water and energy.

The Government will need to clear up the current confusion about the purpose of part 2, which will introduce ministerial control of large-scale water abstraction. As members have mentioned, the provisions were a late addition to the bill and were not consulted on. They also relate to an activity that is already subject to the controlled activities regulations licensing regime that is operated by SEPA in circumstances in which a proposed abstraction may have a practical impact on the environment.

Members have been made aware that the Scotch Whisky Association has expressed concern that the 10 megalitres per day threshold that is set out in the bill may be reduced in future and that the industry's growth could be constrained unless it is exempted from that

provision. Dealing with the Scotch Whisky Association and its concerns will be familiar territory for the cabinet secretary.

The Deputy Presiding Officer (Elaine Smith): I would be grateful if you could come to a conclusion.

Adam Ingram: Yes, Presiding Officer.

Notwithstanding those issues of detail, which can be addressed at later stages, I am pleased to support the principles of the bill and the Government's ambition to build Scotland into a hydro nation.

16:09

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): Presiding Officer, as I stand before you, I am a mixture of natural chemicals. The most important of those, without which I would have no existence, is formed by two atoms of hydrogen in close embrace with one atom of oxygen: H₂O or water. That constitutes some 57 per cent of my body—of all the chemicals that make up the essential me.

We can survive without food for many weeks, but we can survive without water for only a very few days. We can choose, but people in areas of substantial aridity have no choice whatsoever.

I am lucky so far: my body receives water of adequate quality, processes it with other inputs, retains enough for its needs and discharges water waste, all with adequate efficiency. That is a model for Scottish Water.

A key part of the bill relates to those who are less lucky. We need to embed the domestic success of Scottish Water—which is cheap, cheerful and effective in comparison with companies elsewhere in these islands—in the wider world. The bill addresses the hydro nation agenda, and we should ensure that, through our expertise, others gain the type of skills that we have in Scotland.

I have no objection whatsoever to a state-owned company in Scotland helping with and engaging in commercial and social activities in countries elsewhere. Alex Johnstone may care to consider whether DB Schenker should be thrown out of the rail network in the UK, or whether the Dutch post office should not get to undermine Royal Mail, but I suspect that that is not where he was going with his remarks.

Providing commercial services through Scottish Water's expertise and working in conjunction with the 300 or so companies that constitute Scotland's water industry is important in engaging internationally.

I particularly welcome the duty that the bill places on ministers at section 1(1)(b) in relation to ways that

“contribute to the sustainable use of”

water

“resources”.

The wider sustainability agenda is progressed through the climate justice fund, with which I have been pleased to be associated. Those two elements—economic and sustainable futures—march together. As the bill says, our water resources are to be used not just for economic benefit but for any other benefit, and I particularly welcome the cabinet secretary’s plans to make that much clearer.

I will focus a little on the international activities relating to water in which we can be involved. When I was in Rio as the Minister for Environment and Climate Change, I was pleased to meet a number of international organisations for which water was a key issue. While we have—too often, perhaps—a surfeit of water, increasing numbers of people around the world are in water deficit. Meeting people from around the world who come from countries that are in water deficit, and who have to deal with those problems from day to day, is a graphic way of engaging attention and making real what are otherwise only words on paper.

I am pleased that we have been able to work with Mary Robinson and others to create the climate justice fund and, through that, to support water initiatives. The Government has said—and I support this—that it wants to be

“the helpdesk to the world on water governance”,

which is very important.

Water and energy are closely connected. What do members think a tonne of water looks like? The answer is a cubic metre. Moving water around involves moving a heck of a lot of weight, and I welcome the fact that Scottish Water is now engaging in producing green power on its own estate. The bill gives certainty to Scottish Water’s ability to profit from doing that and to produce an economic and environmental benefit, rather than simply to use such activity for its own purposes.

That builds further expertise at the join between the economy and the environment, which I welcome. It is another opportunity for countries to learn from the developed world, and for us to support countries that are in greatest need where they cannot afford to pay for such skills as we have.

There have already been border disputes over water around the world, and it is not unlikely that, in the next 100 years, skirmishes and perhaps even wars will be fought over water. No asset in

the modern world will be more important. We can contribute to world peace—and what higher objective could we serve?—by engaging with countries around the world whose populations are in water deficit. We must allow Scottish Water and other companies with expertise in the water industry in Scotland to engage internationally, to support those in greatest need and to contribute to world peace.

That is a pretty good day’s work. I congratulate the committee and the Government on what they have done so far, and I look forward to more of that in future.

16:15

Duncan McNeil (Greenock and Inverclyde) (Lab): If Scotland has lots of water, Greenock and Inverclyde is blessed with an abundance of water, which the bill recognises as a real resource.

In Greenock history, water was long ago recognised as a resource. Loch Thom is an internationally renowned engineering marvel designed by the Scottish civil engineer Robert Thom who used water assets to address public health issues through the provision of clean drinking water for the town while, at the same time, fuelling the industrial revolution by providing water power for our mills and refineries.

Although those mills and refineries may now be gone, the good-quality water that I drink at home every day has been sustained—a core responsibility delivered by a public company, Scottish Water, that is clearly valued in that context and supported by the Scottish public. Whatever the recognised benefits of the bill, there are clear responsibilities, of which the provision of clean, good-quality water should remain a priority.

If the bill can achieve the worthy aims and outcomes of Robert Thom’s invention and engineering skills, it will have achieved what it sets out to achieve—the greater good and impressive outcomes for social, business and other interests. I welcome the cabinet secretary’s announcement today, in response to the committee, that the Scottish Government recognises the importance of our water resource in the widest possible terms—in terms of the environment and the social benefits as well as any financial benefit that may accrue to Scottish Water and its customers.

Although the ambitions are clear and worthy, we need to recognise that questions remain. Who will ensure that the environmental and social considerations are given equal weighting in any discussions? Who will make the decisions? There is a genuine worry that, although it is worthy to see the benefit of water as a resource and to have the commercial development associated with that, that

may divert Scottish Water away from its core principles.

These questions need to be asked. Who will ensure that the partnership working that happens now will continue and that the views of those partners will be respected? What of the community planning process, involving public bodies, that takes place now? How will that be recognised in the bill? What requirements will be placed on Scottish Water to work effectively with other public bodies—as happens now—and communities, particularly in the area of renewables?

Those questions are important to my constituency and its community, which wishes to be a full member of the Scottish hydro nation. We want to use to the full the infrastructure that has been bequeathed to us—Loch Thom, the Greenock Cut and all the infrastructure that is on the hills that stretch along the Greenock to Port Glasgow waterfront. We want to be able to use that effectively and to good purpose, particularly to develop the ideas that have come from the community and been taken up by the local authority about how we can best develop a renewable electricity supply from those resources and the natural environment.

I believe that the bill moves us in the right direction. Nevertheless, given the cabinet secretary's opening remarks, I am sure that she recognises that there are still more questions to be answered and much more work to be done if we are to realise our ambitions both in the Greenock and Inverclyde area and for our nation to be a hydro nation. I welcome the bill.

16:20

Gordon MacDonald (Edinburgh Pentlands) (SNP): As others have said, Scotland is in an enviable position. As a country, we can sustain ourselves as a net exporter of food, we have around 90 per cent of North Sea oil and gas, we have the renewables industry and we have, of course, an abundance of water.

Most of the planet's surface is composed of water, but freshwater is believed to be only 3 per cent of the total amount available. In many areas of the world there are severe water shortages, and the report "The Global Water Crisis: Addressing an Urgent Security Issue" highlights that

"sub-Saharan Africa or West Asia and North Africa ... are already facing critical water shortages."

The report also states that expected water demand in India and China will exceed supplies in less than 20 years.

According to a statement on the Department for Environment, Food and Rural Affairs website:

"In 2012, a drought developed in much of England as a result of two winters with below average rainfall. By April 2012 river flows and groundwater levels were exceptionally low and temporary use bans were introduced by seven water companies."

Scotland, with its vast water resource, has an economic opportunity and a responsibility to safeguard our water supply for generations to come.

The Scottish Government has a vision of Scotland as a world-leading hydro nation, and the Water Resources (Scotland) Bill will support that goal. The hydro nation agenda will deliver economic gain to Scotland, help tackle climate change, raise Scotland's international profile and share our knowledge on water issues.

Part 1 places a duty on the Scottish ministers to develop the value of Scotland's water resources. Many organisations favour that approach, including the IHP-HELP centre for water law, policy and science, the James Hutton Institute and Scottish Water.

Scottish Water welcomed the proposals and stated that they

"provide a strong statutory basis for developing Scotland's water resource in the interests of Scotland."—[*Official Report, Infrastructure and Capital Investment Committee*, 31 October 2012; c 1027.]

Part 3 is concerned with Scottish Water's functions and its exercise of those functions. The bill aims to protect customers who receive the core services of water and waste water services, but it also allows Scottish Water to

"do anything that"

it

"considers will assist in the development of the value of Scotland's water resources".

That includes using its assets for the generation of renewable energy and, with an investment of £44 million, to deliver the new functions imposed by part 3.

Scottish Water, through its subsidiary Scottish Water International, will be able to offer services internationally using the world-class expertise of its engineers, scientists and managers and, with their ability to help the world harness its water resources most effectively, assist countries to tackle the effects of climate change.

As the Institution of Civil Engineers suggested in its evidence, the bill would help Scotland to maximise the benefits of what it is already good at doing in the water sector; to continue to build capability in addressing complex sustainable water management issues; and to further increase Scotland's competitiveness on the world stage in this area.

Part 2 relates to the control of water abstraction. I said earlier that we have an abundant water supply, but we also have a responsibility to ensure that the plans proposed in the bill are sustainable in the long term. The bill provides for the Scottish ministers to control large-scale water abstractions and requires ministerial approval before an abstraction above 10 million litres per day can take place. There are exemptions in place for those generating electricity from hydro power and for agricultural purposes, fish farming, quarrying or mining. However, there was one surprising omission from the exemptions: the whisky industry.

I should, at this stage, declare my interest in that omission as I have the Scotch Whisky Research Institute in my constituency. In addition, I have a modest collection of malt whisky and I am, of course, a consumer of the product.

I am well aware that the whisky industry is very important for the Scottish economy, as it provides thousands of jobs, many of which are in rural areas, thereby sustaining local communities. It also accounts for 80 per cent of Scotland's food and drink exports. Therefore, it is a vital part of our economy.

In its written evidence, the Scotch Whisky Association said that the industry uses more than 37 billion litres of water per annum at current production rates, although two thirds of that is returned to watercourses after being used for cooling purposes. Whisky production has more than doubled since 1983. Although that is a fantastic economic good-news story for Scotland, we must be aware of potential problems if that growth rate continues.

The James Hutton Institute highlighted the difficulty of setting a threshold when every catchment area is different. It said that it is more important to measure the impact on a particular area than it is to apply a figure across the board. As well as safeguarding our natural resources, we must support our key industries. As the committee's report states in paragraph 95:

"In order to provide greater clarity, the Committee considers that the Scottish Government should include discussion on the threshold limit when it engages with stakeholders on the wider policy intention of Part 2 of the Bill."

Water scarcity and access to clean water and sanitation are a global concern. Scotland can and should play a leading role in tackling the problems.

16:26

Colin Beattie (Midlothian North and Musselburgh) (SNP): Let me begin by stating the obvious: water is a basic commodity that is perhaps taken for granted by most residents in

Scotland. I certainly have the expectation that, when I turn on the tap, water will flow.

There are some people whom I know who take the view that water, by its very nature and origin, should be free and that the imposition of charges by Scottish Water is somehow immoral or improper. However, the water still has to be piped to our houses, the network of pipes and pumping stations has to be maintained, and sewage needs to be piped and treated. None of that would happen without our paying for it to happen.

We are fortunate that our major water supplier remains in public ownership, unlike the situation south of the border. It is my belief that that represents a distinct advantage to the residents of Scotland, given the anecdotal evidence that I read about shortages and the failures of the privatised industry in England.

The introduction of the bill will help to develop and strengthen Scottish Water's position as our major supplier of residential and commercial water and the provider of sewage services, and the bill's vision of Scotland as a hydro nation is an inspirational one. Scottish Water already delivers one of the UK's biggest investment programmes, against a background of charging the lowest household bills. I am very happy with the Scottish Government's commitment to keeping this successful and innovative corporation firmly in public ownership.

It is worth considering some of the scale and background to the bill. More than 300 companies support the sector in Scotland. In 2008-09, the water supply and waste sub-sector in Scotland was estimated to have a market value of £709 million and to employ 6,200 people. Every day, Scottish Water provides 1.3 billion litres of drinking water through 29,762 miles of pipes and takes away about 839 million litres of waste water through 31,477 miles of sewer pipes—imagine all those pipes under our feet. Scottish Water serves 2.4 million households and 152,000 business premises across Scotland.

It must be clear that Scottish Water is a high-performing business by anyone's standards. That is not a statement that can often be made with confidence in relation to utility companies. It is worth looking at some of the key indicators that support that statement.

Drinking water quality is at its highest-ever level—99.86 per cent of samples comply with strict quality standards. Leakage has been reduced by 70 million litres of water a day. Real operating costs have been reduced by 40 per cent since 2002. Can any other company in the water industry approach that? In 2011-12, Scottish Water achieved the highest-ever customer satisfaction score of 83 per cent.

In 2011-12, Scottish Water delivered £491 million of investment and, over the past 10 years, £5.5 billion has been invested across Scotland. In 2012-13, the average household annual charge, at £324 per annum, will be £52 lower than the average in England and Wales. That is quite a turnaround—and an improvement on 2002-03, when the average charge was £30 higher than in England and Wales.

Those are achievements to applaud and the proposed bill must—and does—support the development of Scottish Water across a number of critical areas. Importantly, the bill places a general duty on the Scottish ministers to actively ensure the development of our water resources. It gives Scottish Water power to control large-scale water abstractions and an obligation to develop its assets, including the generation of renewable energy.

The bill allows Scottish Water to place conditions on trade effluent consents, which should improve and control the quality of trade effluent. The bill prohibits the dumping of fat, oil or grease into the public sewer system—we would think that that would be fairly obvious—and it gives additional powers to monitor raw water quality. It allows the Scottish ministers to lend money directly to subsidiaries of Scottish Water or for them to borrow from other sources. It also creates a new system for dealing with temporary water shortages. Those points and the other content of the bill are key to the continued development of a vigorous and modern Scottish Water.

I will return to the hydro nation concept that I touched on previously. Scotland could play an increased role internationally. Water scarcity and access to clean water and sanitation are matters of global concern: people in China and India alone make up 50 per cent of the global population without sanitation facilities. The Scottish Government has launched a £3 million climate justice fund to support nations that contribute the least to climate change but feel the worst of its effects. That is all part of our increasing international engagement.

In considering all the aspects of the bill, it is clear that the Scottish National Party Government has the vision to make Scotland an effective player on the world stage by using innovation and the resources that our nation has available. This Government extracts the maximum value from our resources while still ensuring that the environment is protected and that individual consumers receive the high-quality service that they have come to expect.

We have a beautiful natural heritage, which will be preserved by this Government. Scottish Water has faithfully served consumers as a publicly owned corporation since 2002, lowering the cost

to my constituents and the rest of the nation of clean water provision and sewage disposal.

The bill better prepares us for the future. Although there were floods in Musselburgh in my constituency last year, I am grateful for the provisions in this bill that will help to manage droughts and water shortages. We never know what the future will bring, but this bill is focused on the future and, most importantly, it ensures that we get the most out of one of our most valuable resources.

The Deputy Presiding Officer: We turn to closing speeches, and I remind members who participated in the debate that they should be in the chamber for closing speeches.

16:33

Mary Scanlon (Highlands and Islands) (Con): I thank the Infrastructure and Capital Investment Committee for its stage 1 report, under the able leadership of Maureen Watt. Listening to Colin Beattie reminded me that my son often tells me that engineers save more lives than doctors because they provide clean water. I thought that was an appropriate point to make after Colin Beattie's speech.

In this fourth session of the Parliament, I would have thought that the lessons from the past in bringing forward legislation would have been learned. The SNP and the Conservatives were vocal in opposition when measures were brought forward by the previous Liberal-Labour Scottish Executive with no consultation—rightly so.

I was therefore shocked to see that the sections of the bill on abstraction—part 2—was added with no consultation whatsoever. Neither does it seem to be clear to the many witnesses how the proposed abstraction application process will be separate from the current controlled activities regulations licensing regime—otherwise known as CAR—that is operated by SEPA. It is not surprising that the committee report states in paragraph 74:

“The Committee has been made aware in evidence of a number of concerns in relation to the proposal to introduce the new abstraction regime”

particularly when CAR

“was considered to be working well”

and

“Ministers already had the power to call in abstractions”

under the current system.

I hope that that potential duplication will be addressed so that we have some clarity, which is, from my reading of the bill, much needed.

Even SSE stated, in respect of the new abstraction regime, that

“it did not have enough information to form a view on it”—

that is mentioned in paragraph 75. The Centre for Water Law—which I did not know existed—considered that

“the CAR system worked well and found it difficult to see the added benefit of another layer of regulation”.

Therefore, it is not surprising that the committee’s report points out that

“Energy UK considered that Part 2 of the Bill was not in keeping with the better regulation agenda.”

As Alex Johnstone said, continuing to talk to stakeholders is a world apart from a thorough and considered consultation process, especially when the Government occasionally has a different interpretation from some of the rest of us about what constitutes consistent dialogue.

I also share the committee’s doubts in paragraphs 84 and 85. The committee acknowledged

“the ... concerns that ... questioned whether there is a need for the new abstraction regime”

and noted that

“it might be better to enhance the Controlled Activities Regulations”.

That suggestion makes much more sense to me. The committee’s disappointment

“that the Government did not manage to include the abstraction proposals in either of its two previous consultations”

is perfectly understandable. To be fair, such an omission is not conducive to good and effective legislation.

As I raised earlier with the cabinet secretary, and as others have mentioned, the Scotch Whisky Association makes the point—this would have been raised in a consultation process—that the threshold should specify the volume of water consumed rather than the amount abstracted, particularly as only one third of the water that the industry takes from the environment is used for distillation and two thirds of it is returned.

I note that paragraph 92 highlights SEPA’s concerns about the gap between the abstraction and the water being returned to the environment. When I asked plenty of people about that at the Scotch Whisky Association event in the main hall last night, I was told that the timeframe for that gap is between two and 12 hours. I cannot see burns running dry, despite the scaremongering from SEPA, so I am not sure whether SEPA is totally aware of the timeframe. As convener of the cross-party group on Scotch whisky, I also point out that the industry has done more than most to address

energy use, pollution, recycling and environmental issues.

Paragraphs 94 and 95 seek clarity on

“the rationale for the abstraction threshold of 10 megalitres per day”

and point to a

“lack of understanding on the part of stakeholders about the policy intention”.

At this stage, the policy intention should be known. Once more, I say that that is why this Parliament, with no revising chamber, places so much emphasis on pre-legislative scrutiny to allow the committees the opportunity to do the work that they are tasked to do.

Although no distillery currently uses more than 10 megalitres per day, that time could come—Gordon MacDonald also alluded to this—given the increasing demand for whisky exports in China, Brazil, India and many other countries worldwide. Any limit on water use could be potentially damaging to the industry, which is perhaps the only industry in Scotland whose production is restricted to our country by law. Given the contribution that the whisky industry makes to our economy and the fact that two thirds of the water that it abstracts is returned to the environment within hours, I hope that even at this stage the Government will consider—I felt that the cabinet secretary was listening when I raised the issue earlier—an exemption on abstraction for the whisky industry.

I have not mentioned the leakage rate. Alex Johnstone has told me not to worry about that, because Scottish Water is making good progress and has reduced the leakage rate from about 1,200 million litres every day to 700 million litres a day. I do not know about other members, but I think that that is still a huge amount.

I fully commend the Infrastructure and Capital Investment Committee. Its work has been thorough and its report is excellent. We will support the general principles of the bill.

16:40

Elaine Murray (Dumfriesshire) (Lab): The debate has been mainly consensual, even though we have been invited to envisage Stewart Stevenson discharging water, and despite the fact that the Conservatives take a different view from other members on the value of retaining Scottish Water in the public sector.

It makes sense for Scotland to make the most of a resource that it possesses in abundance. As members have said, at times we have an overabundance. Water shortages are a concern throughout the world, as climate change and

increasing global population take effect, while in Scotland we often complain about the amount of water with which we are blessed. The effect of global warming on us is that the resource is likely to increase, as is the severity with which it is deposited on our land. Clearly, we should turn that to the country's advantage whenever possible.

Like other members, I am not sure that the statutory designation of Scotland as the first "Hydro Nation" is absolutely necessary to enable us to do all the things that we want to do. I must say in passing that I have an aversion to the appearance of capital letters in the middle of a sentence when not attached to a proper noun—that annoys me almost as much as the intrusive apostrophe, but I will let it pass. I am not convinced that some of the provisions in the bill are absolutely necessary and that we could not do some things anyway.

I think that, technically, I am now a member of the Infrastructure and Capital Investment Committee, but I was not a member during stage 1 consideration. I therefore read the policy memorandum and the committee's report with considerable interest, and I look forward to stage 2. Despite the uncertainty about whether the ministerial duty is necessary, it appears to have received support from witnesses, although Consumer Focus Scotland wanted more clarity on the benefit of the bill to Scottish Water customers. Consumer Focus and the RSPB felt that the bill should not divert effort from improving the water resource and preventing its deterioration. For example, the amount of leakage of water from the system in 2009-10 was 704 million litres a day.

Maureen Watt, Margaret McCulloch and Duncan McNeil expressed concern about the meaning of the term "value of water" and that point was also made by witnesses to the committee, many of whom suggested that the bill should be amended to reflect the three pillars of sustainability, rather than simply the economic value. I am therefore sure that they and others will welcome the cabinet secretary's announcement that she intends to lodge an amendment at stage 2 to make that clear. The environmental law sub-committee of the Law Society of Scotland was concerned that the provisions do not take the environmental impact fully into account.

I was interested to read in paragraph 49 of the committee's report that RSPB Scotland, Scottish Environment LINK and the Scottish Wildlife Trust called for a wider range of bodies to be included in the list of designated bodies, in order to promote a partnership approach similar to that which applies to catchment management, legislation on which went through the Parliament in a previous year. Duncan McNeil highlighted areas of existing partnership that it is important not to interfere with.

Witnesses referred to the duty in the Flood Risk Management (Scotland) Act 2009 and said that it is working well. As Adam Ingram pointed out, the RSPB referred in its briefing for the debate to the sustainability duty in the Marine (Scotland) Act 2010. I was a member of the Rural Affairs and Environment Committee during the passage of both those acts, and I can well remember the discussions that we had on the duties that ought to be placed on ministers, responsible bodies and partners. Therefore, I was pleased to read that those acts are now being cited as good practice. I hope that we can learn from them. There might be parallels with the bill, so perhaps we can reflect the good practice that seems to have been brought in through those other pieces of legislation.

I will mention an issue that has not so far been raised in the debate, although I am sure that, if Rob Gibson or Claudia Beamish were present, it definitely would have been. The RSPB also urges us to explicitly include peatland habitats—blanket and raised bogs—in the definition of water resources, so that peat bog management and restoration can be pursued under the bill's purpose of developing Scotland's water resources.

Peatland, like water, is an abundant resource in Scotland, and it can play an extremely valuable role as a carbon reserve. It can help to contribute to our climate change targets, so it is well placed to deliver a better water supply and I hope that we will go along with the RSPB's suggestion that we should amend the bill to include peatland habitats, as defined as a water resource, so that they can be covered by the provisions in the bill.

Margaret McCulloch noted the important role of procurement policy in the future development of Scottish Water, which will obviously overlap with the forthcoming procurement bill.

The bill provides for ministers to control large-scale water abstractions, as many members said, and there is some doubt that that is absolutely necessary as the CAR licensing regime could be extended to include that provision. The RSPB, for example, noted that ministers already have the power to call in abstractions. I know that the cabinet secretary disagrees with that point, because she said that CAR is restricted to environmental issues.

Mary Scanlon and Gordon MacDonald mentioned the concerns of the Scotch Whisky Association. I should declare an interest, but only as a consumer, although I would not like to see the industry's future damaged. The Scotch Whisky Association has asked for the industry to be included in the list of exemptions.

Finally, many members who spoke in the debate thought that the issue of water shortages was a bit

of a fantasy. However, it is only two or three years since Pinneys of Scotland in Annan, which is a big food processing company in my constituency, was beginning to get worried because we were facing water shortages that could have affected its commercial production. We must be concerned about potential water shortages and we need to consider the concerns of the food and drink industry regarding the proposals in the bill. We should also take on board Consumer Focus Scotland's suggestion about protecting vulnerable people at times of water shortages, because—who knows?—such times might come back.

16:47

Nicola Sturgeon: This has been a good debate. Adam Ingram said that the bill might not be the most controversial that Parliament will ever debate, and I guess that he is right. Nevertheless, it covers an interesting subject and I have thoroughly enjoyed the debate this afternoon.

There have been some extremely good contributions. The highlight of the debate for me has to have been the revelation that the bill is about the “essential” Stewart Stevenson. Like Elaine Murray, I could probably have lived without the rest of the explanation about how he processes the precious commodity, and I was becoming rather alarmed by how much he was drinking in the chamber in case we had to face a physical demonstration of what he was trying to describe. Notwithstanding all that, Stewart Stevenson's speech was excellent, and many of the other contributions, including that of Maureen Watt as lead committee convener, were of a very high standard.

Many members spoke about the importance of water to our environment, our society and our economy. Colin Beattie was right to say that water is a commodity that most of us take for granted—probably because we regularly get soaked to the skin when we go outside. Nevertheless, we should remind ourselves how important the commodity is. Gordon MacDonald spoke eloquently about the big and serious responsibility that comes to us because of our relative abundance of a commodity in a world in which its scarcity will become a concern.

Duncan McNeil's comments on the importance of water to Inverclyde give me the opportunity to tell the chamber that this week I had my own close contact with Port Glasgow water when I launched MV Hallaig, the world's first sea-going roll-on/roll-off hybrid ferry, which was built at Ferguson Shipbuilders Ltd's yard. With Stuart McMillan piping the guests as we performed the ceremony it was, all in all, a tremendous occasion and a great day for Ferguson's, for Port Glasgow and for Inverclyde.

Many members mentioned the Government's ambition—although I note that one or two referred to it in what appeared to be almost derogatory terms. We are unashamedly ambitious about the hydro nation agenda. It is right that when we in Scotland have an abundance of water and of the associated skills and expertise, we are being serious not only about making the most of those resources for our own benefit but about sharing them for the benefit of the world that we all inhabit.

Although I welcome what I thought was a good speech from Richard Baker, I have to point out to him that in my opening remarks I said explicitly that I do not think that the bill is the sum total of the hydro nation agenda—and nor should it be. I also went into some detail about the agenda in its widest sense. That said, although the bill is not the be-all and end-all, it fulfils an important function in the wider agenda, and I am glad that it has attracted support today.

I want to go through thematically some of the key points in the debate. I characterise the first set of points as being about the importance of striking the right balance. The bill is, to an extent, about competing interests. It is important to strike the right balance with regard to the interests of consumers and the importance that they attach to quality of service and fair water charges; to the interests of our businesses and the importance of supporting and encouraging them; and to doing what we can to support the interests of those who want to support developing nations, while all the time ensuring that we protect the vital resource for the benefit of future generations.

We have also to strike a balance with regard to economic, environmental and social factors, and I hope that an amendment to part 1—which I said at the outset I intend to lodge at stage 2—will assure people that the Government is serious about striking the right balance in that respect. Some favourable comments have been made about our intention; Maureen Watt's remarks about it were particularly important.

The next set of comments relates to part 2, which deals with water abstraction. Maureen Watt, Mary Scanlon, Richard Baker, Alex Johnstone and Adam Ingram—among others—commented on part 2, and I want to address some of their points. First, with regard to the relationship with the controlled activities regulations, I do not see the provisions in the bill as being duplication. I say that as a minister who came to the bill at a late stage in the development of its draft form.

I see a very clear relationship between CAR and the bill's provisions. As I said in response to Mary Scanlon, CAR focuses only on environment factors, whereas the bill is designed to take a much wider view and to consider a wider set of circumstances, such as whether the location of

abstraction is appropriate, whether the right infrastructure is in place and whether we are taking adequate account of long-term interests with regard to safeguarding the resource. As a result, I think that it is right for those two systems to sit in parallel.

However, it is also right that the system is proportionate and I believe that a threshold of 10 megalitres a day strikes the right balance. That is a significant volume of water and the majority—perhaps the vast majority—of current abstractions in Scotland fall below that level.

Mary Scanlon and others mentioned the Scotch whisky interest in this issue. The bill's exemptions principally cover non-consumptive activities that deliver a wider public benefit but I will, as I have said, look at the comments that have been made. I take Mary Scanlon's point about the non-consumptive nature of the Scotch whisky industry's abstractions, and we will consider such points carefully. Even if we do not agree to amend the bill in that respect, I hope that we can satisfy the concerns of interests including the whisky industry.

The next area that I want to deal with is the distinction between core and non-core Scottish Water services, and the concern that was expressed, certainly at an earlier stage of consideration, that Scottish Water might be given an unfair commercial advantage. I was pleased to hear Maureen Watt say that the committee was satisfied with the assurances that were given on that point, and I want to repeat those assurances today. No unfair advantage is being conferred on Scottish Water in terms of its commercial activities. For example, lending to Business Stream is done at a commercial rate, and it will continue to be the case that future lending to subsidiaries will be on that basis.

The split between core and non-core business is of huge importance, as Alex Johnstone said. The core business will continue to be a priority and will not subsidise the non-core activity.

Alex Johnstone: I apologise for returning to an issue that was raised earlier, but is not actually relevant to what the minister is currently saying.

During the debate, it was suggested—I forget by whom—that where Scottish Water's expertise is made available across the world, as it already is and will be to a greater extent in the future, the dispersal of that expertise should be conditional on Scottish Water's organisational model also being promoted. I am concerned about that level of political interference. Would the minister perhaps take the opportunity to dissociate herself from an idea that might have an impact on Scottish Water's activity?

Nicola Sturgeon: To be fair, I think that Alex Johnstone is mischaracterising what was said. I am about to characterise what somebody else said.

Neil Findlay raised a concern about assisting in privatisation of water resources in other countries. Maureen Watt made the perfectly valid point that there is an opportunity for Scottish Water to show leadership, because the success of its ownership structure and model of governance—it is an extremely successful public corporation—shows that the model works. That is part of the leadership that Scottish Water can show and that is a perfectly valid point to make. If I have missed part of what Alex Johnstone was talking about, I would be happy to deal with the remainder in writing.

I want, in the time that remains to me, to deal specifically with Scottish Water, which is a success story. Some members raised particular constituency issues, which I will ensure are drawn to Scottish Water's attention and are responded to.

Scottish Water is in its 10th year and has a record of which we should be proud. It has delivered significant efficiencies, with average household water charges that are lower than those in England and Wales. As Mary Scanlon said, leakage has been reduced and new infrastructure has been built, but that is not the end of the story, because the business has to continue to drive forward with efficiency while ensuring that its assets are resilient and are meeting the needs of customers. I am sure that Scottish Water will rise to that challenge.

Some members in the debate—not the Liberal Democrats, who did not contribute, but the Tories—put forward what they consider to be the case for privatisation. The question that people such as Alex Johnstone have to answer is this: why on earth, when Scottish Water is operating so successfully in the public sector, would we want to change that and put at risk the success that it is enjoying? This Government will not do that.

As Jim Eadie said, the bill challenges us to show leadership and to develop the value of our massive water resources. When we talk about the value of those resources, we are talking about more than the water in the rivers, lochs and canals; we are also talking about the work of land managers, regulators, industry experts, academics and the volunteers who spend a lot of time protecting our environment.

Water underpins our economy. Given our relative abundance of water, it is right that we have a positive and ambitious vision for the future. We are very fortunate, and it is right that we share that good fortune with others.

I look forward to discussing with the committee the points that have been raised today, and I invite members to support me in agreeing to the principles of the Water Resources (Scotland) Bill, so that we can move on to the detailed scrutiny of stage 2.

Water Resources (Scotland) Bill: Financial Resolution

16:59

The Presiding Officer (Tricia Marwick): The next item of business is consideration of motion S4M-04853, in the name of John Swinney, on the Water Resources (Scotland) Bill financial resolution.

Motion moved,

That the Parliament, for the purposes of any Act of the Scottish Parliament resulting from the Water Resources (Scotland) Bill, agrees to any expenditure of a kind referred to in Rule 9.12.3(b) of the Parliament's Standing Orders arising in consequence of the Act.—[*Nicola Sturgeon.*]

The Presiding Officer: The question on the motion will be put at decision time.

Marine Navigation (No 2) Bill

16:59

The Presiding Officer (Tricia Marwick): The next item of business is consideration of motion S4M-05259, in the name of Keith Brown, on the legislative consent motion for the Marine Navigation (No 2) Bill, which is United Kingdom legislation.

Motion moved,

That the Parliament agrees that the relevant provisions of the Marine Navigation (No. 2) Bill, introduced in the House of Commons on 20 June 2012, relating to the Harbours Act 1964 and the Pilotage Act 1987, so far as these matters fall within the legislative competence of the Scottish Parliament, should be considered by the UK Parliament.—
[*Nicola Sturgeon.*]

The Presiding Officer: The question on the motion will be put at decision time.

Business Motion

16:59

The Presiding Officer (Tricia Marwick): The next item of business is consideration of business motion S4M-05239, in the name of Joe FitzPatrick, on behalf of the Parliamentary Bureau, setting out a business programme.

Motion moved,

That the Parliament agrees the following programme of business—

Tuesday 8 January 2013

2.00 pm Time for Reflection

followed by Parliamentary Bureau Motions

followed by Topical Questions (if selected)

followed by Finance Committee Debate:
Employability

followed by Business Motions

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business

Wednesday 9 January 2013

2.00 pm Parliamentary Bureau Motions

2.00 pm Portfolio Questions
Infrastructure, Investment and Cities;
Culture and External Affairs

followed by Scottish Government Debate: Oil and
Gas, The Success and Opportunities

followed by Business Motions

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business

Thursday 10 January 2013

11.40 am Parliamentary Bureau Motions

11.40 am General Questions

12.00 pm First Minister's Questions

12.30 pm Members' Business

2.30 pm Parliamentary Bureau Motions

2.30 pm Scottish Government Debate: Action to
Support Youth Employment

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

Tuesday 15 January 2013

2.00 pm Time for Reflection

followed by Parliamentary Bureau Motions

followed by Topical Questions (if selected)

followed by Scottish Government Business

followed by Business Motions

followed by Parliamentary Bureau Motions
 5.00 pm Decision Time
followed by Members' Business
 Wednesday 16 January 2013
 2.00 pm Parliamentary Bureau Motions
 2.00 pm Portfolio Questions
 Education and Lifelong Learning
followed by Stage 3 Proceedings: Freedom of
 Information (Amendment) (Scotland) Bill
followed by Business Motions
followed by Parliamentary Bureau Motions
 5.00 pm Decision Time
followed by Members' Business
 Thursday 17 January 2013
 11.40 am Parliamentary Bureau Motions
 11.40 am General Questions
 12.00 pm First Minister's Questions
 12.30 pm Members' Business
 2.30 pm Parliamentary Bureau Motions
 2.30 pm Scottish Government Business
followed by Parliamentary Bureau Motions
 5.00 pm Decision Time—[*Joe FitzPatrick.*]

Motion agreed to.

Parliamentary Bureau Motions

17:00

The Presiding Officer (Tricia Marwick): The next item of business is consideration of three Parliamentary Bureau motions. I ask Joe FitzPatrick to move motion S4M-05240, on approval of a statutory instrument, and motions S4M-05241 and S4M-05242, on approval of Scottish statutory instruments.

Motions moved,

That the Parliament agrees that the Scotland Act 1998 (Modification of Schedule 5) (No.2) Order 2013 [draft] be approved.

That the Parliament agrees that the Judicial Pensions and Retirement Act 1993 (Scottish Land Court) Order 2013 [draft] be approved.

That the Parliament agrees that the Pollution Prevention and Control (Scotland) Regulations 2012 [draft] be approved.—[*Joe FitzPatrick.*]

The Presiding Officer: The questions on those motions will be put at decision time.

Decision Time

approved.

The Presiding Officer: That concludes decision time.

17:00

The Presiding Officer (Tricia Marwick): There are six questions to be put as a result of today's business. The first question is, that motion S4M-05229, in the name of Nicola Sturgeon, on the Water Resources (Scotland) Bill, be agreed to.

Motion agreed to,

That the Parliament agrees to the general principles of the Water Resources (Scotland) Bill.

The Presiding Officer: The next question is, that motion S4M-04853, in the name of John Swinney, on the financial resolution to the Water Resources (Scotland) Bill, be agreed to.

Motion agreed to,

That the Parliament, for the purposes of any Act of the Scottish Parliament resulting from the Water Resources (Scotland) Bill, agrees to any expenditure of a kind referred to in Rule 9.12.3(b) of the Parliament's Standing Orders arising in consequence of the Act.

The Presiding Officer: The next question is, that motion S4M-05259, in the name of Keith Brown, on the Marine Navigation (No 2) Bill, which is United Kingdom legislation, be agreed to.

Motion agreed to,

That the Parliament agrees that the relevant provisions of the Marine Navigation (No. 2) Bill, introduced in the House of Commons on 20 June 2012, relating to the Harbours Act 1964 and the Pilotage Act 1987, so far as these matters fall within the legislative competence of the Scottish Parliament, should be considered by the UK Parliament.

The Presiding Officer: The next question is, that motion S4M-05240, in the name of Joe FitzPatrick, on approval of a statutory instrument, be agreed to.

Motion agreed to,

That the Parliament agrees that the Scotland Act 1998 (Modification of Schedule 5) (No. 2) Order 2013 [draft] be approved.

The Presiding Officer: The next question is, that motion S4M-05241, in the name of Joe FitzPatrick, on approval of a Scottish statutory instrument, be agreed to.

Motion agreed to,

That the Parliament agrees that the Judicial Pensions and Retirement Act 1993 (Scottish Land Court) Order 2013 [draft] be approved.

The Presiding Officer: The next question is, that motion S4M-05242, in the name of Joe FitzPatrick, on approval of an SSI, be agreed to.

Motion agreed to,

That the Parliament agrees that the Pollution Prevention and Control (Scotland) Regulations 2012 [draft] be

Marine Renewables (Pentland Firth and Orkney Waters)

The Deputy Presiding Officer (John Scott):

The final item of business is a members' business debate on motion S4M-05150, in the name of Rob Gibson, on marine energy constraints in the Pentland Firth and Orkney waters. The debate will be concluded without any question being put.

Motion debated,

That the Parliament notes with alarm the recent report from Scottish Renewables suggesting that the costs of grid connection and transmission for the delivery of electricity produced from marine renewables in the Marine Energy Park area, which comprises of sites in the Pentland Firth and Orkney waters, are set to soar; understands that this follows new charges from Ofgem that will result in a transmission regime that will increase costs by 91%; notes that the estimates of the projected annual connection charges for the Pentland Firth and Orkney Waters area have increased from £56 million in 2011 to £107 million by 2020; understands that this contrasts with an annual subsidy of some £2 million that would have been available had these been commissioned in the waters off south-west England; believes that clean green energy brings massive potential for renewables and that the sector is already delivering jobs and investment in the Pentland Firth area, and expresses strong concern that, because of a UK regulatory system that it considers unfit for purpose, there is continued discrimination against the marine renewables sector in Scotland that could hinder the sector's development.

17:03

Rob Gibson (Caithness, Sutherland and Ross) (SNP): I thank members who signed the motion in order that the debate could take place.

A report from Scottish Renewables in September revealed that the costs of grid connection and transmission for delivering electricity that is produced from marine renewables in the marine energy park area, which comprises sites in the Pentland Firth and Orkney waters, could soar due to new charges from the Office of the Gas and Electricity Markets, under a transmission regime that has yet to be finalised.

The projected annual connection charges for the area seem likely to increase from £56 million per year to a possible £107 million in 2020. I have strong concerns that the continued discrimination against Scottish marine renewables could blight their development in a United Kingdom regulatory system that is unfit for purpose.

The UK regulator, Ofgem, stresses that an improved ICPR—investment cost-related pricing scheme—should reflect the costs that are imposed when transmitting electricity from a location where it is produced to where it is consumed, because the cost of building and maintaining the network must be met by the generator or the consumer.

Ofgem's project transmit sets not charges but the methodology. However, I take issue with its approach on several grounds. It could lead to the Pentland Firth inner sound MeyGen tidal project, on the coast of Caithness in my constituency, which is aimed at producing 500MW, bearing an estimated £8.3 million annual hook-up charge in 2020. Another local charge, in addition to the main grid charge, would affect the Orkney waters schemes across the Pentland Firth.

That contrasts with the annual subsidy of about £2 million-plus that would apply if such projects were commissioned in the waters off south-west England, as the long-mooted Severn barrage would be. That is because Ofgem favours, through the locational charges, schemes that are closer to consumers.

Nuclear-generated power is imported from France to southern England via the interconnector at no charge. No locational charge is added in the French electricity system so, wherever electricity is produced in France, it costs the same price to export.

Ofgem has not proposed a fundamental change from the Thatcherite model that favoured large thermal power stations that are close to large populations. It is clear that it does not have the whole UK in mind. That approach excludes the areas with the most wind, the strongest tides and the biggest waves—the north of Scotland and our northern isles and Western Isles.

The signals from the UK Government are not aimed at recognising the north's infinite clean energy potential. It is significant that David Cameron vetoed the appointment of David Kennedy—the UK Committee on Climate Change's chief executive—as permanent secretary at the Department of Energy and Climate Change because David Kennedy had questioned the Chancellor of the Exchequer's dash for gas and said that green energy would be cheaper over time.

The *Financial Times* of 13 December quoted David Kennedy as saying that UK Committee on Climate Change's research revealed that household bills could be as much as £600 higher per annum in coming decades. He said that promoting the use of green energy

"is like taking out an insurance policy—you pay £100 now to avoid having to pay £600 later".

Prime Minister David Cameron welcomed the announcement in November of incoming renewables jobs with Areva as "brilliant for Scotland". In *The Press and Journal* of 20 November, he said:

"I am determined that Britain competes and thrives in the global race and this shows that the UK remains an attractive place for foreign investment.

Growth of the renewable energy sector” is “good for our economy”.

That stands in contrast to his rejection of the UK Committee on Climate Change’s concerns that the dash for gas takes us in the wrong direction.

The bottom line is that the UK Government has not sent Ofgem strong signals to set up a fair system of transmission charging—hence the need for two committees to be set up to work on ways to cut costs for far-north developers. Last July, an industry-led CUSC—connection and use of system code—group was set up to seek a formula to stabilise charges at current levels on the north mainland and to maintain them at about £20 per kilowatt in 2020 after £10 billion of grid investment, while securing the maximum possible cost-reflective reductions for the islands.

Although some of the islands will immediately become part of the main interconnected transmission system, they were deliberately excluded from the volume-based charge proposal that Ofgem made. We await the solution, which might cut access costs by 10 per cent. However, that is not enough to make some schemes economically viable.

Mary Scanlon (Highlands and Islands) (Con): Will the member give way?

Rob Gibson: I do not have much time, so the intervention had better be quick.

Mary Scanlon: Rob Gibson mentioned the CUSC panel, which is not due to present its findings to Ofgem until spring 2013. How can he be conclusive about costs when they have not been considered and the findings have not been produced?

Rob Gibson: I will come to the fact that two reports are to be produced in the spring. It is clear from the evidence that the industry influence from large producers in the south is not prepared to budge in the direction that we require to help the north.

The intergovernmental island grid group was set up by Ed Davey and has met once. It was established by DECC—its renewables deployment team rather than its regulatory arm—with membership that includes Highlands and Islands Enterprise, the island councils, the Scottish Government, SSE and National Grid. Ofgem is also represented as an observer. The group will look at the needs case for an additional policy fix and options for implementing that fix. Island renewables obligation certificates, a cap under section 185 of the Energy Act 2004 and finance-related options such as European Investment Bank financing of island links are in the group’s remit.

Another non-starter was proposed by Brian Wilson, a former UK energy minister. He suggested in the December edition of *The Press and Journal* energy section that there is

“a clear solution to the impasse—which would be for the Scottish Government, with DECC agreement, to set a new “offshore islands” ROC band, at half-way between onshore and offshore levels.”

Significantly, Wilson goes on:

“That would both fund the cable”

from the Western Isles

“and avoid the need to challenge Ofgem’s orthodoxy on locational charging.”

I must point out that ROCs were created to support technical project development and not to set fair access and transmission charges for the grid.

If we are not to be “Swimming against the tide”, as a Scottish Renewables report in September put it, then a UK and then a European grid connection and use policy is essential. Meanwhile, many projects await an end to the current wrangling and want to end the uncertainty and have a fair access agreement, which cannot happen until the committees report in the spring.

Ofgem suggests that a socialised model of charging for grid access could increase bills for Scottish consumers by £7 billion, or around £25 to £30 per year for consumers. However, surely the battle against climate change and the need to combat fuel poverty will not be met by short-term fixes. Economically viable wind, wave and tidal power will cut fuel poverty, if they can play their part.

The Pentland Firth and Orkney waters scheme awaits the green light to deliver Scotland’s clean power revolution and contribute to our own and European electricity security.

The Deputy Presiding Officer: I call the other constituency member, Liam McArthur, to be followed by Mike MacKenzie.

17:11

Liam McArthur (Orkney Islands) (LD): I congratulate Rob Gibson on securing a debate on an issue that, as he said, could have a bearing on whether we achieve our ambitions to be a global powerhouse in marine renewables. It would be remiss of me not to point out, particularly with Orkney Islands Council represented in the public gallery this evening, that the islands that I represent are at the heart of efforts to realise that ambition but stand to lose out on significant job and wealth-creation opportunities if the issues that the debate highlights are not addressed urgently.

It is perhaps just as well that we are not required to vote on the motion. There is a great deal of agreement between Rob Gibson and me on the issue, but the wording of the motion causes me some difficulty. However inadvertent it may be—although I do not believe that it is—creating the impression that the current regulatory regime governing transmission charging is somehow anti-Scottish is a little disingenuous. Whatever its failings, of which there are many, there is a logic behind the current system of charging. The problem is that that logic no longer holds for what we wish to achieve in decarbonising the economy and how we produce energy.

It is right to characterise the locational system of charging that seeks to incentivise large-scale energy production close to cities and areas of major demand as outdated and no longer fit for purpose. However, it is wrong to imply that it is somehow a ploy to deny Scotland a chance to fulfil its renewables potential. Indeed, as I am sure Paul Wheelhouse's colleague Fergus Ewing would be the first to acknowledge, there is a recognition among his counterparts at Westminster of the problems that are created by the current charging regime and, more important, a willingness to make changes.

What those changes should be and how they are to be achieved are, inevitably, trickier issues to resolve. However, I think that the case that has been marshalled in Scotland, drawing together a wide range of interests and expertise, has increased substantially the likelihood of a successful outcome that reflects the realities of where our best renewable resources are allocated and which enables us to harness those resources in a competitive and cost-efficient manner.

I acknowledge the work that has been done on the issue by Fergus Ewing personally. We may not see eye to eye on many things, but I do not doubt Mr Ewing's commitment to securing a better deal for the islands on this issue. His willingness to work constructively with my colleague Ed Davey at DECC and to use the broad coalition of support in Scotland to make the case for change has been impressive, and I am grateful to him for that. In addition, I am still optimistic that our collective efforts, including those of the three island councils, will prove successful. That optimism stems in part from the willingness of those in the UK coalition Government, particularly my colleagues Chris Huhne and Ed Davey, to make strides in the right direction. Nevertheless, I recognise, as Rob Gibson intimated, that there is resistance from many quarters, not least parts of Ofgem and generators who benefit quite well from the current set-up.

As well as reviewing Ofgem's remit, UK ministers have taken forward project transmit,

which may not have delivered the results for which many of us hoped but which has provided an opportunity to develop and articulate the argument on why charges for renewables development in the Pentland Firth and Orkney waters need to be brought more in line with those for equivalents on the mainland.

The Scottish Renewables report "Swimming Against the Tide: the impact of TN UoS charging on marine energy development in Scotland" vividly highlighted the cost comparisons in relation to grid charges and the dramatic effect that charging island-based developers for local works, including undersea cabling, will have. However efficient and productive wave and tidal devices become in the energetic waters around Rob Gibson's constituency and mine, it is hard to see how they can be competitive if they are faced with an increase in charges of more than 120 per cent by 2020, as Scottish Renewables estimates they will be.

Such disparity places at serious risk the ability of our islands, including Orkney, to fulfil their potential, thereby undermining Scotland and the UK's ability to deliver on climate change and renewables targets. Given the global lead in wave and tidal energy that we currently enjoy, there is a risk of scandalously wasting an opportunity to create thousands of jobs, attract millions of pounds of investment and develop a wide range of skills and expertise that would put us in the box seat in building the sector internationally.

The sector's potential was evident last week when Orkney-based Scotrenewables Tidal Power announced a further £7.6 million of private investment in its tidal energy device. It was particularly pleasing to see a company such as ABB Technology Ventures coming on board with Fred Olsen and Total, which demonstrates the confidence and commitment of some of the major industrial players in the future of wave and tidal energy.

The announcement reinforced the need to get the high cost of charging for island-based developments sorted, soon. As developments progress towards commercial deployment, investors will want to take decisions about where they can get the best return. The window of opportunity for taking action is closing.

What action should be taken? There seem to be various options. Like Rob Gibson, I hold out little hope of project transmit and the CUSC group delivering anything more than marginal improvement on the current position. Another option would be to use enhanced ROCs for the islands to compensate for the additional burden of charges. Such an approach has the benefit of being relatively simple, which is no mean feat in the area of policy that we are considering, and

might enjoy support from Mr Ewing as well as from a number of developers. I have always felt that the transmission charging problem would be better dealt with through the charging regime but, given what is at stake and the timeframe in which we are operating, a solution that works is better than no solution at all.

I look forward to hearing about the work of the Scottish island renewables steering group, which Ed Davey has set up. I thank Rob Gibson and congratulate him again on securing what I hope will be a useful debate. I look forward to hearing what the minister has to say and, more important, to 2013 and a resolution to a long-standing issue.

17:17

Mike MacKenzie (Highlands and Islands) (SNP): I congratulate Rob Gibson on securing this debate on an issue that is important not just for the Pentland Firth and Scotland's islands but for all Scotland and indeed for the UK. It is estimated that the Pentland Firth accounts for about 50 per cent of the UK's tidal resource, and tidal energy is the most reliable of renewable energy resources.

Perhaps the most useful Christmas present that my wife buys me every year is a set of tide tables. I am an islander, who begins his journey to the Parliament in a rowing boat, so knowing the state of the tide is important to me. It is fortunate that tides are predictable. Predictions can be made more than a year in advance, with accuracy to within a few minutes for any given location.

It is the predictable and unceasing nature of our tides that makes tidal energy so vital, and Scotland is leading the world in tidal and wave energy research at the European Marine Energy Centre in Orkney. However, the biggest impediment to bringing devices into commercial production is the disincentive to invest that is presented by the imposition of unfair transmission charges.

Paragraph 62 of European Union directive 2009/28/EC, on the promotion of the use of energy from renewable sources, says:

"The costs of connecting new producers of electricity and gas from renewable energy sources to the electricity and gas grids should be objective, transparent and non-discriminatory and due account should be taken of the benefit that embedded producers of electricity from renewable energy sources and local producers of gas from renewable sources bring to the electricity and gas grids."

The directive continues, in paragraph 63:

"Electricity producers who want to exploit the potential of energy from renewable sources in the peripheral regions of the Community, in particular in island regions and regions of low population density, should, whenever feasible, benefit from reasonable connection costs in order to ensure that they are not unfairly disadvantaged in comparison with

producers situated in more central, more industrialised and more densely populated areas."

Paragraph 7 of article 16—I thank you for your indulgence, Presiding Officer, but this is important—says:

"Member States shall ensure that the charging of transmission and distribution tariffs does not discriminate against electricity from renewable energy sources, including in particular electricity from renewable energy sources produced in peripheral regions, such as island regions, and in regions of low population density. Member States shall ensure that the charging of transmission and distribution tariffs does not discriminate against gas from renewable energy sources."

That all seems perfectly clear to me, and the EU position seems to be unequivocal.

I wrote to Ed Davey about the issue on 9 April last year. He eventually replied to me on 3 August. That was despite the reassurance that was given to me when he appeared before the Economy, Energy and Tourism Committee in June that he would deal with the matter forthwith. Perhaps I am slightly cynical, but he eventually replied a week after I wrote to his boss, David Cameron, to complain about his failure to reply.

Mr Davey said that Ofgem is comfortable that there is compliance with that directive, but it seems to me that the insistence on punitive transmission charges for Scotland's islands is in complete contravention of both the letter and the spirit of the directive. Just last week, we heard Ofgem warning Mr Davey that the lights might go out in England as early as 2015. Neither Ofgem nor Mr Davey has much to be comfortable about. In reviewing the daft transmission charges, perhaps they will take into account the fact that, currently, they are denying not only Scotland's islands but the whole of the UK the benefit of Scotland's renewable energy.

17:22

Rhoda Grant (Highlands and Islands) (Lab): I, too, congratulate Rob Gibson on securing the debate. The issue is very worrying not only for the Pentland Firth but for all our islands that have the potential to develop renewables commercially.

Historically, grid charging has been set to reflect the price of transmission. The further the transmission, the greater the charge has been. That encouraged traditional methods of generation to be built as close as possible to points of need, and that made sense because power is lost the further it is transmitted. That has meant that most of our larger power stations have been close to population centres, but it has become recognised that that policy disadvantages renewable energy. There is some wind generation close to our cities, but the vast majority of it tends to be in our more remote rural areas, which are exposed to high

wind speeds. The same will be the case for wave and tidal energy. The Pentland Firth—our marine energy park—has the potential to generate huge amounts of energy, but transmission charges might hamper development.

Project transmit was set up and has sought to deal with the issue of renewables, and it has been widely welcomed as a big step forward for mainland areas, but the charges that are being proposed would disadvantage our island communities. For example, charges on Orkney would be much greater than those in Caithness because a subsea connection will require to be built, and the cost of that cable will become part of the transmission charge. The unintended consequence of that is that Caithness could become overdeveloped when power is taken back to the shore. By contrast, Orkney, which is the home of wave and tidal power, will lose out on many of those developments because it will be much cheaper to transmit power from Caithness than from Orkney. As we harness those sources of power, we cannot choose where the natural resources are. Therefore, we need to ensure that such generation is not disadvantaged by grid access charges.

Project transmit dealt with many of the anomalies of the old system. It took into account, for example, the intermittency of wind power, and that change was beneficial for that type of generation. However, it failed to find a solution for our islands. Orkney, Shetland and the Western Isles are potentially a rich source of renewable energy, if it is affordable to export that energy from the islands. That failure is equally worrying if we take into account the fact that some of our largest community-owned renewables companies are based on those islands, and the potential of renewable energy to kick-start the economies of some of our more remote and disadvantaged communities.

We urgently need a solution also because of the massive inflation in transmission cable prices. The cable costs have doubled in a very short space of time. In the Western Isles, Scottish Hydro Electric Transmission Ltd has had to revise its costs to such an extent that it needs to go back to the developers.

Mike MacKenzie: Does the member agree that the reason for the inflationary increases in cable costs has a lot to do with the prevarication in getting those cables in place and that, if that had been done two or three years ago, a lot of those costs could have been avoided?

Rhoda Grant: I agree, which is why I was making the point that speed is of the essence. While SHETL goes back to the developers in the Western Isles to re-evaluate the current cost, those costs are rising in the background, which

means that when the developers come back to SHETL, having completed the re-evaluation, they may have to go back again. That creates a vicious circle until the point is reached when it is no longer financially viable to run projects. I totally agree that there is a degree of urgency in that regard, and the situation is the same for the northern isles, so we need to speed things up.

I know that the Minister for Energy, Enterprise and Tourism is involved in discussions with the UK Government, and I believe that there is a will on the part of both Governments to find a solution to the problem. I look forward to receiving an update and perhaps an early resolution to the problem so that we can tap the energy sources that our islands provide.

17:27

Mary Scanlon (Highlands and Islands) (Con): I thank Rob Gibson for bringing to the chamber a debate on transmission charging for Orkney waters. As usual, I declare an interest as my son works in the renewables industry.

I also thank Mike MacKenzie for raising the same issue in relation to project transmit that I raised in the debate in April, which is the fact that the charging must be in accordance with the two EU directives on renewable energy and the internal market, both of which enshrine the principle of non-discrimination between mainland and islands. When we have accurate charges, those directives can and must be tested.

I regret that I cannot fully support Rob Gibson's motion, especially as we are occasional travelling companions on the long journey north and south, and I hope that he will not hold it against me. I agree with one sentence of the motion, as I believe very much that

"clean green energy brings massive potential for renewables and that the sector is already delivering jobs and investment in the Pentland Firth area".

Scottish Renewables is an industry body that claims to

"work with members to lead the debate".

My view is that it should perhaps, for once, listen to its members and be better informed before making announcements. I am quite sure that the renewables industry wants accuracy from the organisation that represents it in the public and political domain. I say that on the basis that the claims in Rob Gibson's motion are taken straight from the Scottish Renewables statement.

The motion

"notes with alarm ... the costs of grid connection and transmission ... are set to soar"

following

“new charges from Ofgem”.

Scottish Renewables should know that Ofgem does not set or approve the level of individual charges. It obviously does not know that, so it should perhaps listen and learn.

The announcement from Ofgem in May 2012

“does not equate to a formal decision that will result in changes to the current cost reflective method of calculating transmission charges.”

Rob Gibson: Will the member take an intervention?

Mary Scanlon: No. Can I just get started?

As I said in the project transmit debate in April, the CUSC panel has been given strong direction on the issues to resolve—we are in the middle of this, not at the end of it—including a direction to address how links to the Scottish islands, which are currently at the proposal stage, will be treated in line with cost-effective and non-discriminatory principles. The tariff levels produced by Ofgem consultants in December 2011 were not a confirmation or even an indication of the actual tariff or charge level. Those can be provided only by National Grid Electricity Transmission plc. Ofgem has not received the industry's proposals to develop—

Rob Gibson: Will the member take an intervention?

Mary Scanlon: Please let me finish. I am the only one—apart from Rhoda Grant—who is bringing some facts into the debate.

Ofgem has not received the industry's proposals to develop a new methodology; neither has it stated that an approved methodology will deliver a precise level of charge, according to the briefing paper that all MSPs received this week. The claims made by Scottish Renewables and repeated in the motion have no basis in fact. It would appear that the figures used by Scottish Renewables and cited again in the motion come from updated capital costs submitted by SHETL. However, those figures are not fully accurate, as Ofgem has not yet received the design and the cost of the proposed island link from SHETL. The word “estimate” is used in relation to the figures cited—it is a Scottish Renewables estimate and not a true figure. The true figures have not been produced by National Grid.

The Deputy Presiding Officer: Can you draw to a close, please?

Mary Scanlon: As I said, the CUSC panel is due to present its findings to Ofgem in the spring of 2013. It will then be for Ofgem to approve or reject the proposal. I regret very much that figures are being used that are estimates by Scottish Renewables—they are not accurate. I regret that

because I have very serious concerns that those figures could scare investors from our islands with ill-informed comments and inaccurate statements.

The Deputy Presiding Officer: I regret that you are out of time.

Mary Scanlon: The industry is far too important to the economy to be misrepresented.

17:32

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I hope that we will base our deliberations tonight on fact. Mary Scanlon has just asserted as a fact that the estimates are wrong. That is an interesting thing to say. I hope that she will compensate us if the figures are higher than the current estimates.

I represent an area of Scotland with significant energy interests, both thermal and renewable, and a planning application is in for a 6GW alternating current to direct current converter in my constituency as part of a new generation of electricity transmission. At higher amperages, direct current is a more effective way of transmitting electricity with lower losses than alternating current. In addition, it requires only a single cable instead of two, thus reducing the cable costs.

In my area in the north-east of Scotland, and elsewhere, we expect to have a role in the future of renewable energies in providing offshore engineers and servicing offshore facilities. We already have the experience of decades of oil extraction from the Scottish sector, and the decades to come of further oil exploration mean that, from the outset, an engineering infrastructure is available that offshore renewable energy businesses can exploit. That is a major leg-up for an infant industry, minimising some of the start-up costs. However, inappropriate transmission charges, which will hit the life of projects, could scupper all those advantages.

Liam McArthur says that there is a logic behind the existing charging system. The problem is not the logic; rather, it is the limitations in its application. The present system—that is the Ofgem system—which arithmetically and systematically determines the outputs depending on the inputs, is cost reflective but, as a cost-reflective system it fails, not because of the arithmetic, but rather because too many of the costs of energy production and transmission are excluded from the calculation. The carbon cost of thermally based generation is excluded, and that is one cost that will rise dramatically over the years to come.

It is simply perverse in an industry that makes long-term investments—typically a power station is

60 per cent of the way through its life span before it crosses into profit—that only short-term matters influence the calculations of the revenue costs that will make or break the calculation about whether projects go ahead.

Do not get me started on the underwriting of nuclear stations' decommissioning—or, perhaps, even building—by Government. It is what is put into the calculations that makes the real difference. It is perfectly reasonable to consider cost-reflective approaches, although I would prefer the French approach, which is simply to have a level playing field. That is a perfectly sensible way to do things when we are talking about national infrastructures.

The bottom line is that we must have wider policy objectives that go beyond simply costing the network—we must look at the network in the context of the whole energy system and of social needs. If we do that, we can still have a logical system that is cost reflective. We can have a system that means that we get a square go at this new industry in the islands and the remote areas of Scotland that will be so important to future energy provision in Scotland and the British isles, and through substantial exports over the DC network that is being proposed and built all across Europe.

17:37

The Minister for Environment and Climate Change (Paul Wheelhouse): First, I thank Rob Gibson for securing this members' business debate on what is such an important subject, and I thank members from across the chamber for the many thoughtful contributions. Nobody could leave here in any doubt about the exciting potential of renewables in our islands and, indeed, the importance of the issue to Scotland.

We have had a number of debates about transmission charging in the chamber in the past two years. I firmly believe that change is coming, but I also share the frustrations expressed today about the fact that the wheels of change are grinding particularly slowly. We need to see faster progress.

The energy industries of Scotland are something to be truly proud of, but members should not take that just from me:

"Scotland leads the world in energy. From wind, wave and tidal to the oil and gas industries, Scotland is seizing the opportunity its abundant resources have to offer."

Who said that? It was none other than Ed Davey, Secretary of State for Energy and Climate Change, on 9 December this year.

It is a shame then that Mr Davey's coalition Government presides over a charging scheme

that, as we have heard, punishes most those areas where Europe's greatest renewable energy resources lie. Those are the areas in which the most dynamic efforts to innovate in marine renewable energy are being made, and Orkney is a classic example of that. Clearly, the Pentland Firth—which is where Rob Gibson's interest lies—has huge potential to power not only Scotland but Europe, as Stewart Stevenson has said.

Efforts across the world are being made to innovate in marine renewable energy and those innovations are happening in Scotland right now. I should perhaps not be too hard on Mr Davey. As Fergus Ewing said, he has helped to establish an intergovernmental group on islands charging in which Highlands and Islands Enterprise and the island councils have key roles to play. That group will not only examine the impact that transmission charges have on the business case for renewables in our island groups but—I think that Mary Scanlon was alluding to this—look to identify potential solutions, not all of which may lie within the narrow prism of transmission charging.

The Scottish Government, Highlands and Islands Enterprise and the island councils have been involved in discussions in putting the case forward for our islands. The group will look at the other issues and, in particular, the increased installation costs that we know many rural communities face in order to implement their projects.

Mary Scanlon: I thank the minister very much for his positive remarks. Can he confirm that the group that involves Scottish and UK ministers, HIE and so on will not be able to form any opinion until the CUSC panel has produced its findings in spring next year?

Paul Wheelhouse: That is my understanding of the situation, although the specific issue is not within my portfolio.

We should not forget that for some time the First Minister has been most vocal in demanding a more equitable system of charging. Project transmit—Ofgem's review of transmission charging—might never have come about had it not been for the First Minister's consistent challenging of a system that suits outmoded ideas about the future energy mix and which benefits thermal generators in the south of England, in particular.

When the status quo for transmission charging was ruled out by Ofgem at the conclusion of project transmit in May, I believe that we in Scotland were entitled to a degree of satisfaction. Unfortunately, however, that satisfaction was tempered by what was not contained in the direction from Ofgem. A move away from the charging status quo was welcome to many generators on the Scottish mainland, but project

transmit failed to deliver a meaningful conclusion for the islands. That has merely prolonged the uncertainties that have existed for far too long and left our island communities—including many of our crofting communities in places such as Orkney, which I know are keen to explore renewables—with a real sense that they are in danger of being left behind.

How can that possibly be the right approach when it is estimated that we have 25 per cent of Europe's offshore wind and wave potential and 10 per cent of its tidal potential? I take to heart Mike MacKenzie's point about the Pentland Firth having a huge share of the UK's tidal resource. The formation of the intergovernmental group by Fergus Ewing and Ed Davey represents recognition that the current charging regime is not the right approach. More must be done, and it must be done quickly, coherently and positively.

We do not rule out any reasonable solution. Indeed, the Scottish Government has sought to use its currently limited powers to seek a solution. By varying the support that is available under the renewables obligation mechanism, we have been able to provide levels of support to renewables generators that are different from those that are provided in the rest of the UK in order to reflect our strategic assessment of the required regime.

Liam McArthur: I am grateful to the minister for giving way, although I think that some of his comments about Ed Davey have been less than charitable.

Has the Government considered EU regulations and whether a legal challenge can be mounted? I presume that that issue has been looked at and that either no grounds for a challenge have been found or there is something that could be prosecuted.

Paul Wheelhouse: I have a high regard for Ed Davey as an individual, but we must speak up when we feel that the UK Government—not necessarily Ed Davey himself—has not been responsive enough to our requests.

I will get back to Mr McArthur on the point that he has just made, but I am conscious of time and I need to press on.

We have exercised our powers carefully, as has been demonstrated in recent times by our introduction of higher levels of support for wave and tidal power. We understand the transformational potential of those technologies, which relates not just to the energy that they will produce but to the opportunities that they offer in bringing together skills from our existing offshore energy industries and our onshore engineering sector. By harnessing those skills, we will lead the development of new and revolutionary technologies.

To reap the economic benefits, we are committed to developing technologies, not only through a sensible application of renewables obligation certificates but through the broader range of actions that underpins this developing sector. That is why Scottish Enterprise established the £70 million national renewables infrastructure fund for developing facilities in support of the offshore renewables supply chain. It is focused on securing vital elements of the offshore wind supply chain, such as turbine and jacket manufacturing.

In the Highlands and Islands, public and private sector investment exceeding £70 million is already under way or has been committed to a range of port developments, including those at Nigg, Scrabster, Hatston and Lyness, to further support offshore renewables.

As I heard in Doha, giving the right signals and demonstrating political consistency and leadership has been a critical factor in many companies from around the world coming to Scotland and seeing it as the location in which to develop energy technologies for the 21st century.

As regards the use of section 185 of the Energy Act 2004, we remain to be fully convinced that, as it currently stands, it can bring the certainty that we and marine energy developers seek. The fact that the powers are short term and partial is not ideal in the context of the nascent technologies that are currently being tested around our coasts. Revising the section 185 power to make it effective will form part of our discussions during the passage of the new electricity legislation. The Scottish Government recognises that Ofgem has yet to conclude its deliberations on the charging regime, as Mary Scanlon said, and that it has a most important role to play in protecting consumer interests.

Investment in low-carbon technologies also makes economic sense when it is set against future cost volatility. Only last week, the UK Committee on Climate Change demonstrated that between 2020 and 2030 annual household energy bills would increase by only around £25 if the UK power sector largely decarbonised. In contrast, a trajectory of rising carbon and wholesale gas prices, which the coalition Government might lock us into in a dash for gas, would increase those same bills by £120 in the same period—an almost fivefold increase for consumers.

High transmission charges across Scotland, but in particular in the islands, are a relic of the old energy world and outmoded economic thinking. The real world is one in which vast renewable resources occur at the periphery of our country. An enormous opportunity is within our grasp: those resources could help the whole of Europe to meet its electricity needs.

Such resources can bring economic opportunity and innovation to rural communities and provide plentiful energy while minimising the exposure to unpredictable shifts in global energy costs that we would see if we were to remain wedded to carbon-intensive electricity generation. All we need now is a charging regime that recognises the geographic reality. The Scottish Government—working with island councils, HIE and indeed DECC—will continue to press for that now and in the future.

I congratulate Rob Gibson once again and thank him for giving such an important subject an airing in the chamber. Let us all hope that London is listening.

Meeting closed at 17:46.

Correction

John Swinney has identified an error in his contribution and provided the following correction.

The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney):

At col 14944, paragraph 1—

Original text—

If we had put forward a list that totalled £820 million and we got only £360 million, there would be a bit of a mismatch between the two figures.

Corrected text—

If we had put forward a list that totalled £820 million and we got only £330 million, there would be a bit of a mismatch between the two figures.

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