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Tuesday 19 February 2019

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Scottish Parliament

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

Time for Reflection

The Presiding Officer (Ken Macintosh): Good afternoon. We begin business today with time for reflection. Our time for reflection leader is Ms Vanessa Smith, celebrant of the Humanist Society Scotland in Aberdeen.

Ms Vanessa Smith (Humanist Society Scotland): Good afternoon. It is lovely to be invited to be here with you by virtue of the work that I do as a humanist celebrant with the Humanist Society Scotland.

We are living through times of great change—the stuff of future history podcasts—and for most of us, change is a challenge. So I want to talk hope this afternoon and to spend the next few minutes sharing some thoughts with you about the things in life that bring us together, rather than those that might divide us.

Death. I might as well jump in at the deep end. I spend a lot of time with the newly bereaved and those at the very end of their lives, and it can be as tough as you imagine it to be. However, importantly, it can also be uplifting, engrossing, and funny—often really funny—with the full range of emotions and the essence of what it is to be human. I have had some of the most wonderful, stimulating and thought-provoking conversations with those who are in their last few days or hours of life and, when you listen carefully, you hear so much hope.

Love. I often say that I am humbled when young people decide to marry; there is very rarely anything or anyone compelling them to do so these days, so they are making a decision and a commitment based on investment in a shared future. If that does not give us all hope, I do not know what does. As a side note, I am so proud of the way this country acknowledges and affirms one love; there is plenty of room for us all.

Our young people. I wanted to end on this because, when I am invited into schools to speak to pupils about humanism, I never fail to be impressed by how switched on and interesting they are. Young people face challenges just growing up that the vast majority of us in this room have never had to face, yet they are open, eager and engaged—they also put you through your paces, quite rightly. There is so much hope in the next generation, and we should be very proud of

our young people. I am excited to see how they are going to shape our future communities.

So, death, love and the future inform and drive our efforts today, and all three evidence that hope should always be our inspiration. Thank you.

The Presiding Officer: I inform members and people who are in the gallery that there will be a short suspension for a few minutes while we sort out the card and tannoy system.

14:04

Meeting suspended.

14:19

On resuming—

Topical Question Time

The Presiding Officer (Ken Macintosh): I apologise for the delay—we had a technical problem of some sort, as I am sure you will appreciate. The good news is that we had some time in hand this afternoon. However, we now have no time in hand. We might have a discussion with the business managers later if we run out of time.

School Menus (Processed Meats)

1. Monica Lennon (Central Scotland) (Lab): To ask the Scottish Government what its response is to reports that school menus in around three quarters of council areas include processed meats containing nitrites. (S5T-01494)

The Deputy First Minister and Cabinet Secretary for Education and Skills (John Swinney): In 2018, we consulted on proposals put forward by a scientific technical working group to make school food and drink healthier. The group recognised that red meat can provide vital nutrients such as iron and that its inclusion in school meals can contribute to meeting the nutrient standards. The group recognised, however, that such provision had to be made within a maximum level of red and processed meat served in schools, consistent with international guidelines. The consultation closed in August 2018 and we are carefully analysing the responses to it prior to finalising the revised regulations.

Monica Lennon: I accept that the Scottish Government is committed to limiting the amount of processed meat that is eaten by pupils at school. However, does the cabinet secretary accept the scientific evidence of a link between nitrites in processed meat and bowel cancer? If so, does he agree that school meals should be nitrite free?

John Swinney: There is very clear scientific evidence that suggests the level of red meat consumption that is appropriate and consistent with a balanced diet. That is the advice that the Scottish Government is following.

Monica Lennon is correct to highlight the Government's approach on school nutrition. Back in 2008, we introduced regulations on that, which were regarded as world leading and which were updated in 2013. We are doing a similar exercise in response to the commitments that we gave in our manifesto in 2016 and to updated scientific advice that emerged in 2017. The Government

takes such advice very seriously, and that work is under way.

Monica Lennon: I welcome the work that is under way. The link between nitrites in processed meat and bowel cancer is a hugely important public health issue. Given the Scottish Government's commitment to becoming a good food nation, will it back the experts, ignore the industry spin that has taken place and see that Scotland becomes a world leader by ensuring that meat in our schools is nitrite free?

John Swinney: The argument that Monica Lennon makes is fundamentally about the quality of our food and produce. It is beyond dispute that Scottish red meat is perfectly compatible with a balanced diet, provided that individuals who wish to consume it do so within the limit of what is appropriate. That is the foundation of the advice that the Scottish Government has accepted from the short-term working group that we commissioned to undertake that activity, and it is the basis on which we have consulted on the regulations. We have had more than 1,350 responses to the consultation exercise and are currently considering the feedback from it. I anticipate that the report on the views that were offered in the consultation will be finalised by the end of March 2019, and we will proceed to introduce formal regulations at that stage.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): What is the Scottish Government doing to ensure that more children have access to school meals that are healthy, nutritious and made from local Scottish produce? As the cabinet secretary knows, for some years such meals have been provided in East Ayrshire, where at least two schools now have the eat safe award.

John Swinney: All food and drink that is provided in local authority schools must meet the standards that are set out in the Nutritional Requirements for Food and Drink in Schools (Scotland) Regulations 2008. On the basis of our commitment, we are updating the standards to ensure that they will be based on scientific evidence and that the highest-quality produce will be consumed in our schools.

In addition to those commitments, in the food for life programme the Scottish Government has committed £1.2 million over the financial years 2018-19 to 2020-21 to assist 32 local authorities in achieving the award of catering marks in their primary schools and nurseries. That is part of our commitment to ensuring that we have high-quality produce of the type that Mr Coffey says is already being provided in schools in East Ayrshire.

Brian Whittle (South Scotland) (Con): Given the concerns in education about young people and obesity, diabetes and other health-related issues,

does the cabinet secretary accept that eating good, solid, locally procured food has a positive impact on children's health, on attainment and on our carbon footprint and that it supports the rural economy? With that in mind, and given that only 16 per cent of the central Scotland Excel procurement contract is currently procured from Scotland, does he agree that there is something positive that we could do right now that could impact on the health of our children?

John Swinney: Good progress is being made in the dialogue with Scotland Excel on improving the levels of Scottish produce that are served in our schools. That is an implicit part of the agenda that we take forward. The regulations that I consulted on with the information from the short-life working group covered a range of issues to ensure that school nutrition is of a higher quality and contributes to better health and wellbeing for individual young people. That work is part and parcel of the approach that the Government takes to ensure that we have the highest quality of nutrition in our schools.

Mark Ruskell (Mid Scotland and Fife (Green)): Fresh, unprocessed school meals can be cooked only by councils that keep their school kitchens open and invest in their catering staff. What is the cabinet secretary's view on the decision by Tory-led Perth and Kinross Council to abolish its catering service, close down its kitchens and move to frozen, cook-chill and processed food in its schools?

John Swinney: It is a proposal with which I am familiar locally and it causes me a great deal of concern, because I think that it undermines the quality of produce that can be delivered in individual schools. It also affects employment and sustainability in a number of localities. I hope that the local authority will reflect carefully on all these questions as it comes to conclusions on the matter because, from what I have seen, I do not have sufficient confidence in the arrangements that have been set out to justify the changes that have been made.

Aberdeen Western Peripheral Route

2. Maureen Watt (Aberdeen South and North Kincardine) (SNP): To ask the Scottish Government what economic benefits could be realised following the full opening of the AWPR. (S5T-01506)

The Cabinet Secretary for Transport, Infrastructure and Connectivity (Michael Matheson): During construction, the AWPR contract has already generated benefits for local employment and local businesses. Since the major part of the road opened in December 2018, there has been overwhelmingly positive feedback from the north-east, which has demonstrated the

transformational impact that infrastructure can bring about in people's daily lives, the quality of their environment and the economy as a whole. We have been seeing story after story, especially on social media, from people and businesses who are using the road and seeing substantial improvements to their journey times and reduced congestion across the city.

After more than 65 years of waiting, the project is now fully open to traffic. This morning, social media has been overwhelmingly positive, with comments about shortened commutes as well as about Anderson Drive being so quiet today now that the last part of the road is open.

The project is anticipated to provide substantial benefits across the north-east, providing a boost to the economy and increasing business and tourism opportunities while improving safety and reducing congestion. It is anticipated that the project will generate up to 14,000 jobs over 30 years as a result of opening up significant development opportunities. It will cut journey times across Aberdeen by up to half at peak periods and reduce traffic volumes on Anderson Drive and connecting roads. That should reduce transport costs for businesses and provide an unprecedented opportunity for the local authority to provide greater priority for public transport, speeding up journeys and improving reliability within the city area.

Maureen Watt: I thank the cabinet secretary for that answer. As he said, Aberdeen's western bypass was first mooted some 65 years ago. Generations of Tory, Labour and Lib Dem Governments did absolutely nothing but, as of 2007, the SNP got on with the job of delivering the new bypass, which has become fully open today. How will the Scottish Government ensure that the full benefits of this transformational infrastructure project—not just the economic ones—can be realised over the long term?

Michael Matheson: The member makes a very good point. There was a lot of talk about the Aberdeen western peripheral route, but it is the SNP and this Government that are delivering it, demonstrating our commitment to the north-east of Scotland. In addition, the significant investment that we are making in rail in the north-east and the investment that we plan for the dualling of the A96 demonstrate our commitment to the north-east of Scotland by helping to support the economy and create employment in the area.

After one year, Transport Scotland will undertake an evaluation of the project in line with the Scottish trunk road infrastructure project evaluation guidance, which will allow us to evaluate how the AWPR has performed against the criteria that were set at the initial stages of the development of the project, with further

evaluations at year three and year five, in order to assess the development and the impact that it is having on the local area. The main areas that will be included in that evaluation are the scheme's objectives of operations, environment, safety, economy, integration, accessibility and social inclusion. Transport Scotland will continue to monitor how use of the AWPR is affecting the rest of the road network in the north-east of Scotland. It is clear that the road is starting to transform the north-east of Scotland today and it will continue to do so in the future.

Maureen Watt: Can the cabinet secretary tell us what it is about the nature of a fixed-term contract that the contractors just do not get? Will he do his utmost to ensure that taxpayers are not held to ransom by the contractors for mistakes that the contractors have made along the way and for delays that they have caused to the full opening of the route?

Michael Matheson: I have been clear about the need to make sure that we protect the taxpayer's interest. I must confess that I have been concerned at times by the narrative from the Opposition parties that appears to accept that if a contractor states that it has a claim, that claim automatically has merit and must be paid by the taxpayer. I assure members that we will act in the taxpayer's interest and protect the taxpayer from any errors or mistakes, or any additional costs that have been incurred by the contractors as a result of contractors' own mistakes. Let us not forget that Aberdeen Roads Ltd spent two years preparing to submit a tender for the project. It went into the project with its eyes wide open and we will hold it to the contract, in the taxpayer's interest.

Peter Chapman (North East Scotland) (Con): I declare an interest as a farmer. I very much welcome the complete opening of the road. It is long overdue and will be a huge asset to the north-east economy. However, there is still a huge question mark as to whether farm tractors are allowed on the road. I have received clarification that the Balmedie to Tippetty section is open to tractors, but there is confusion about the rest of the road. Given that tractors can travel on the A90 all the way from Aberdeen to Perth with no issues and given that the AWPR is also a dual carriageway, not a motorway, why can tractors not travel on the AWPR?

Michael Matheson: The decision was made several years ago to classify the AWPR as a special road, which provided clarity around the arrangements for agricultural vehicles being on it. That decision was made in around 2014, so if the member thinks that there is a lack of clarity, he is wrong. There is clear guidance on the special status of the road, which does not allow it to be used by agricultural vehicles for very good

reasons that were set out when the matter was considered.

I welcome the acceptance by the Tories—although I do not know whether they congratulate us grudgingly or are just late in doing so—of the completion of the road, which will benefit the people of the north-east of Scotland, including the farmers there.

Lewis Macdonald (North East Scotland) (Lab): Like other members, I am very glad that the road is finally complete. Michael Matheson is not to blame for the 12 years of delay under the SNP Government. *[Interruption.]*

I am glad that the cabinet secretary focuses on the issue of cost as well as the other aspects of this important project. The information that is currently available on the Scottish Government website states that the annual unitary charge to be paid to the contractors will average £48 million a year, that the total unitary charge will come to £1.45 billion over the next 30 years and that the contractors will receive their last unitary charge payment in 2048. Can the cabinet secretary tell us whether any or all of that information will now require to be updated?

Michael Matheson: Let me first answer Lewis Macdonald's substantive point: there are no plans at present for any changes to be made. The way in which the contract was formed means that the contractors will be paid only once the road is accessible to vehicles. That continues to be the case. I have been clear with the contractors that they entered into a contract to which they gave due consideration with all their expert advisers at the time, and that they entered into it willingly. I am determined to hold them to that contract, and that is exactly what we have been doing.

To those who have called on me to get on with it and just get the road open, I say that I have been making sure that we act in the taxpayer's interest instead of allowing contractors to hold us over a barrel with a gun to our head, to extract more of the taxpayer's money for a road for which they are already getting paid. We will continue to take that approach when we discuss these matters with them.

I think that the member is being a bit unfair in suggesting that there was some sort of 12-year delay. He knows very well the delays that were caused by the legal challenges to the contract: the case ended up in the Supreme Court, resulting in years of delay to the road being built. We have been clear all the way along that we are determined to deliver for the people of the north-east, which is exactly what we have done with the AWPR.

Mike Rumbles (North East Scotland) (LD): Is the public purse exposed to all of the £250 million cost overrun?

Michael Matheson: That is exactly the type of attitude that does not act in the interest of the taxpayer. In effect, because the contractors may have a claim, Mr Rumbles automatically presumes that it has some merit. In major infrastructure projects, it is not unusual for contractors to make some sort of claim that they have run into additional costs as a result of delivering the project. There is a process to be gone through, and that is exactly what will happen in this case.

To date, the contractors have been unable to substantiate their claim. As I have said before, in this chamber and in committee, any additional claim from the contractors must be evidence based and capable of substantiation. To date, they have failed to achieve that. We will continue to defend the public taxpayer's interest in the matter, rather than caving in as we would if we listened to people like Mr Rumbles.

The Presiding Officer: I apologise to Gillian Martin and Liam Kerr, but that concludes topical questions.

Brexit (Response to European Union Exit Vote in Westminster)

The Presiding Officer (Ken Macintosh): The next item of business is a statement by Michael Russell on the response to the latest EU exit vote in Westminster. The cabinet secretary will take questions at the end of his statement, and I encourage all members who wish to ask a question to press their request-to-speak buttons now.

14:38

The Cabinet Secretary for Government Business and Constitutional Relations (Michael Russell): The date on which the United Kingdom is scheduled to leave the EU is now 38 days away. That equates to 18 sitting days in this Parliament, including today. Yet there is still no resolution of the chaos that prevails at Westminster, no consensus about the way forward, no relief from the incompetence of the current UK Government and no respect for the decision of this country and this Parliament decisively against Brexit. Indeed, with every day that passes, the unrealistic, irresponsible and—in terms of realisable outcomes—impossible approach of the Prime Minister serves only to heighten uncertainty for communities, citizens and businesses across Scotland to an intolerable degree and increase the risk of a no-deal exit.

The well-connected *Politico* website reported yesterday:

"In European capitals there is now mounting alarm that Theresa May has set Britain on course for a diplomatic disaster ... One minister from a major EU power was left so shocked after a meeting with a U.K. counterpart last week they concluded Britain is now hell-bent on pushing the crisis to the wire in the hope of a last-minute concession from EU leaders, which will not materialize."

Of course, last week, the House of Commons had the opportunity to agree to an extension to article 50 to allow us to avoid the economic damage of a no-deal or hard Brexit outcome. I pay tribute to those members of Parliament who supported the Scottish National Party amendment—the Liberal Democrats, the Green MP, Plaid Cymru, two Tories and 41 members of the Labour Party. Of the seven Scottish Labour MPs, three walked into the division lobbies to do what Scotland clearly wants. All the Scottish Tories opposed it, showing yet again that, for a Scottish Tory parliamentarian—there as here—the needs of their fractured and fractious party come a long way before the needs of their suffering country.

The Scottish Government continues to believe that the best outcome for the UK as a whole and for Scotland is to remain within the EU and that

now, given the impasse that exists at Westminster, the best democratic way forward is to give the people the final choice. However, we have, over the past two and a half years, been very clear about our willingness to compromise, setting out credible and achievable positions in December 2016 and subsequently, which have been ignored or summarily dismissed by the UK Government.

No doubt, at some stage this afternoon, the Tory members will brazenly insist that the only way to avoid no deal is to support the Prime Minister's very bad deal. However, surely even their certainty in that mantra must have been shaken a little this week when no fewer than 40 senior retired diplomats signed a letter that pointed out just how awful the Prime Minister's deal actually is. That deal would not only make Scotland poorer, removing us from the European single market, risking a fall in Scotland's working, tax-paying population and putting us at a competitive disadvantage to Northern Ireland. It would also, in the words of those very knowledgeable diplomats, result in what they call a "Brexiternity" of endless uncertainty about our future for both citizens and businesses alike.

If there was ever to be an end to that Brexiternity, the best that could be hoped for at that far-distant date, given the Prime Minister's red lines, would be some sort of free trade agreement, which our modelling indicates would mean that, by 2030, our gross domestic product would be around £9 billion lower than if we had stayed in the EU—equivalent to £1,600 for every person in Scotland. As things stand, even if the withdrawal agreement were approved by the UK and European Parliaments, it is entirely possible, even probable, that a no-deal exit will only have been postponed rather than avoided. Such is the chaos that now engulfs Westminster, it is impossible to say with any confidence that the terms of any future trade deal with the EU would be approved by MPs.

Next week, the House of Commons will again get the opportunity to pass further judgment on the Prime Minister's efforts, and we will continue to provide a voice for common sense. A no-deal outcome is not inevitable, but—alas—it is becoming more likely with every day that passes and with every attempt that the Prime Minister makes to bludgeon and frighten MPs into accepting her threadbare and damaging plan.

As a responsible Government, we must act wherever we can to minimise and mitigate the impact on Scotland as far as we are able to. In doing so, we must—as always—be very straight with the people of Scotland. Later this week, my colleague the Cabinet Secretary for Finance, Economy and Fair Work will publish a paper on the likely economic costs and impact of a no-deal

Brexit. It is vital that this chamber and Scotland should know that things will change—and change very fast for the worse—if a no-deal Brexit is forced upon us. For example, we estimate that a no-deal Brexit could result in an increase in unemployment in Scotland of around 100,000 people, more than doubling the current unemployment rate. We would go from a record low to a level not far off that which was reached at the depth of the last recession, with all the human cost that that would entail.

Whatever we, as a Government, do—and we will do everything that we can—we simply cannot avoid that sort of damage being done to our economy and our country. One person could: the Prime Minister could, if she were to immediately agree to an extension to article 50 and rule out, with concrete legislative steps, any no-deal outcome. Getting such an extension would not be difficult. Indeed, President Juncker said yesterday:

"Any decision to ask for more time lies with the UK. If such a request were to be made, no one in Europe would oppose it."

The only opposition to an extension lies within the House of Commons.

The work of the Scottish Government's resilience committee and the Scottish resilience partnership on planning, mitigation and preparing arrangements to respond to the risks and impacts of leaving the EU without a deal is continuing and intensifying, as the First Minister made clear last week after our special Cabinet meeting. The resilience committee met in Glasgow last week—its ninth session—prior to that Cabinet meeting, and it will meet again tomorrow.

I will be in London tomorrow, attending yet another UK Cabinet EU exit sub-committee, and I will seek firm answers to the many questions that we still have. For example, we do not yet know how much ferry capacity is available, on what routes it will exist or exactly what priority goods will be carried. Nor do we know what priority will be accorded to each category of goods, nor what arrangements will be made to service Scottish requirements including the particular challenges of rurality. We have also not yet heard whether export of foodstuffs can be integrated with special arrangements for import, consolidating inbound and outbound capacity to maximise the benefits. There are many more matters on which we need clarity and on which we will continue to seek it, given that such clarity is essential for our preparations.

Leaving those difficulties aside, although we are working as closely as we can with the UK Government, we do not now believe that, even if there were a perfect information flow, there would be the time or the resource to ensure that absolutely everything required would be in the

most effective place, in the most effective way, by the required dates. That is not a criticism of anyone who is working very hard on these matters north or south of the border; it is simply a fact, given the shortness of the time that is available and the size of the task to be undertaken.

There are those who seem to seek to normalise no deal or who, with a profoundly concerning sense of misplaced optimism, suggest that its effects will somehow not be as serious as has been widely predicted. They are utterly wrong. It is clear—it will be made even clearer in the chief economic adviser's paper, which will be published on Thursday—that a no-deal Brexit remains a significant and live risk that would lead to a major dislocation to the Scottish economy. The impact of any shock would likely vary across sectors as well as across regions according to their economic structure and, if prolonged, could lead to significant structural change in the economy. In addition, the uncertainty about Brexit is already impacting key economic indicators for Scotland, including consumer confidence and business investment.

Let me indicate what we are doing, against the clock. Transport Scotland is working with providers and ports and airports in Scotland to assess existing capacity and to identify how that capacity could mitigate disruption to imports and exports. With regard to trade, although the UK Government is currently negotiating with 40-plus trading partners in an attempt to roll over existing EU third-country agreements, there is now no possibility that all or even a majority of those agreements will be in place. Access to some markets will therefore be considerably disrupted. Nonetheless, we are working to secure as consistent and wide-ranging a food supply as possible and to enable improved or new supply chains to get to every part of the country. We are trying to overcome barriers to the export of food and drink as well.

If free movement is curtailed, as seems very likely, that will have serious and immediate consequences for workers in health and social care, among other sectors. The Scottish Government is absolutely committed to doing all that it can to speak up for and support EU citizens who work in those roles and many others at this uncertain and anxious time. We passionately want relatives, friends, neighbours and colleagues from other EU countries to stay in Scotland. We have already committed £800,000 to Citizens Advice Scotland to provide advice and support to EU citizens in Scotland who are affected by changes in the immigration rules as a result of Brexit, and we will shortly intensify our information campaign to encourage EU nationals to stay.

In my statement earlier this month, I urged MSPs to reach out to small businesses in their constituencies and encourage them to seek the information that they need on Brexit. It remains of concern that so many small businesses, in particular, have not yet engaged in sufficient detailed planning and preparation. Undoubtedly, the normalcy bias is well established in Scotland, but the UK Government is not functioning as a normal Government. It may well allow a no-deal exit to come about either by accident or by design, contrary to all norms of government. Accordingly, I strongly urge all businesses to seek out the information that we have provided through our Brexit webpages on www.mygov.scot or the website for the prepare for Brexit campaign, which is a one-door online approach that is jointly delivered by Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland—and to do it now, whether or not they export.

The chief constable recently announced plans to put 360 officers on standby from mid-March to deal with any incidents that may arise across the country, such as disruption at ports. That is just one more example of an initiative that seeks to align existing financial and staff resources to the challenges that we face to ensure that we have the right people with the right skills in the right places to respond quickly and effectively.

We have made it clear that any cost related to EU exit should not have a detrimental impact on Scotland's public finances. Derek Mackay again raised that matter with the Chief Secretary to the Treasury when they met last week, although no satisfactory response was forthcoming. We are actively pursuing with the UK Government the issue of funding for the consequences of a no-deal outcome, along with a number of other matters. However, it is abundantly clear that Brexit is going to cost Scotland at every level of governance, in every business sector and in every part of the country far more than the existing consequentials.

I turn to the important matter of our legislative preparations. To date, only 30 of the 114 UK statutory instruments to which we have consented have completed their passage through the UK Parliament. I have made clear to the UK Government my concerns on that matter, and I have impressed on it the importance of ensuring that the deficiency fixes to which we have given our consent are delivered. We are still on track to have processed both parts of the programme—UK SI notifications and Scottish SIs—through the Scottish Parliament by the end of March, so our laws should be as ready as they can be for the shock of EU exit.

However, the Prime Minister has now indicated that, in the event of an agreement being reached,

she would intend to push through the European Union (Withdrawal Agreement) Bill, as well as a range of other Brexit-related legislation, before 29 March. That could mean passing laws of the profoundest importance, with consequences for all the devolution settlements, in a few days. That cannot and should not be done. If that bill is presented to this chamber for legislative consent, the Scottish Government will recommend that such consent be refused because of that impossible timetable and because the UK Government has moved not an inch on the issue of essential changes to the Sewel process.

In conclusion, I reiterate the First Minister's message from last week. The Scottish Government remains absolutely committed to preparing as best we can and to safeguarding the interests of businesses and communities in Scotland as far as possible. However, the way in which this has been approached by the Prime Minister is reckless and irresponsible. It is now clear beyond any doubt that the Conservative Party and the UK Conservative Government pose a real danger to Scotland. The only sensible solution now available is a delay to article 50, a ruling out of a no-deal exit and a people's vote. We will continue to press for those things with every legislative and political tool and with every ounce of energy at our disposal.

The Presiding Officer: Thank you. The cabinet secretary will now take questions.

Adam Tomkins (Glasgow) (Con): Another week, another Michael Russell statement and another ever more repetitive account of the dangers of a no-deal Brexit, with no recognition whatever of the plain fact that those who risk a no-deal Brexit are those who, like Mike Russell and all his Scottish National Party colleagues, oppose the Prime Minister's deal.

I wonder what the point of Mr Russell's statement is. What is he seeking to achieve? What, indeed, has he achieved in the two and a bit years since he returned to Government? His flagship UK Withdrawal from the European Union (Legal Continuity) (Scotland) Bill was eviscerated by the Supreme Court, and three—or is it now four?—iterations of "Scotland's Place in Europe" are doing nothing but gathering dust at the back of various filing cabinets. In addition, so desperate is the cabinet secretary that he is today reduced to taking his lines from online news sources and websites, casting around to fuel his on-going addiction to referendums—indeed, his on-going addiction to losing referendums.

Meanwhile, in the real world, the Prime Minister is working harder than ever across the parties—and with newly independent MPs—as well as with our European partners to ensure that we leave the European Union with a deal. It is manifestly in no

one's interests for us to leave without a deal. When is the SNP going to grow up, quit the grandstanding and work with us to get a withdrawal agreement that we can all support?

Michael Russell: I do not get much time to catch up on movies, unfortunately, but I am keen to see the movie "Stan & Ollie". In that sort of slapstick comedy there is always a moment when one of the protagonists runs headfirst into a rake, a ladder or a wall, and that is how I feel about the questions from Adam Tomkins—he just gets up and runs straight into the wall again. Who is responsible for the mess that we are in? The Prime Minister and the Conservatives. Who has failed to back the deal? The Conservative Party at Westminster. Who was the Prime Minister defeated by last week? The Conservative Party at Westminster. I am afraid that the slapstick from Professor Tomkins is wearing a bit thin.

The only repetition is in the backpacking flights that the Prime Minister takes to Europe again and again to be met with the same answer. That answer came this morning from the European Union's spokesperson, who said:

"The EU will not reopen the Withdrawal Agreement. We cannot accept a time limit to the backstop or a unilateral exit clause".

Tomorrow, the Prime Minister will—yet again—fly to Brussels and come back empty handed. It is time for the Conservatives to accept responsibility, in London and here, and to recognise that they are causing the disaster. They could avert it, but we have heard nothing yet this afternoon from the Tories that shows that they are conscious of the fact, and Scotland will judge them harshly for that.

Neil Findlay (Lothian) (Lab): Mr Tomkins said that he wonders what the point of these statements is. I wonder what the point of Adam Tomkins is. He has gone through years of study and education, yet he gave that kind of statement to Parliament. That is utterly pathetic.

We have less than 40 days to go until the UK is supposed to leave the EU, and we still have gridlock. The Prime Minister has desperately tried to bribe her own back benchers and failed. She has tried to bribe MPs who represent former mining communities and failed. She has tried for the first time to meet trade union leaders—again, that has failed. Her red lines remain in place, and the EU has rejected her wish to throw Ireland under her Brexit bus by reneging on the backstop. It is right to do so, because there must be no return to a hard border.

All the while, businesses have grown more nervous, workers have feared for their jobs, and the public have grown ever more exasperated. Yesterday's announcement by Honda at Swindon

was not exclusively about Brexit, but it undoubtedly had a Brexit element.

The issue of the backstop can be resolved with a permanent customs union. The EU, businesses and trade unions want that. Does the cabinet secretary agree that that should be an immediate priority and that it would very likely gain a majority in the House of Commons? Does he agree that close alignment to and working with the single market is the best way to protect jobs and rights and ensure that there is no race to the bottom, and that we should continue to work across Europe with agencies and institutions in areas such as research and development, education, environmental protection and our future security? Labour has proposed those clear steps, which could be taken now and could build a majority in the UK Parliament and provide certainty for our people.

Tory chaos has to come to an end. There have been record defeats in Parliament, fortnightly humiliations and repeated rejections by EU leaders. It is time for the Prime Minister to end the chaos, admit that her Brexit plan has failed and support Labour's robust and legally binding amendment next week, which will prevent no deal.

Finally, will the cabinet secretary update Parliament on what work has proceeded on common frameworks and on the redrafting of the intergovernmental agreements if the European Union (Withdrawal) Act 2018 proceeds?

The Presiding Officer: This is a very robust argument, but I ask members to refrain from being so personal in their political attacks.

Michael Russell: I will deal with the common frameworks and the intergovernmental issues first. On common frameworks, as Neil Findlay will be aware, a publication shared between the UK Government and the devolved Administrations 10 days ago said that work was continuing and that, significantly, no section 12 orders had yet been used. As long as the section 12 orders are not used, we will continue to work with the UK Government on a voluntary basis. However, the same proviso exists that existed in relation to the previous two publications. If section 12 orders are used, we will cease to do that.

The UK Government is still doing nothing on the intergovernmental relationships. We are trying to bring those forward and we are talking about issues that arise, but we are getting no response. However, the UK Government is rather busy messing everything else up, so maybe we should keep it away from the intergovernmental relationships for a time.

On the customs union, I am pleased that the Labour Party now recognises the importance of the Norway or Norway-plus model. That model is

not dissimilar to the one that we talked about in 2016. To that extent, I am happy to welcome the customs union issues. However, the customs union would not on its own resolve the Northern Ireland issue entirely, which is an issue that would have to be addressed. Freedom of movement in the single market is also crucial for Scotland—without it, we will have considerable problems.

I continue to support proper membership of the customs union, but more will be required. However, we have no movement at all from the Tories. As Mr Findlay said, the red lines exclude movement and, until they change, we will stay at an impasse.

Patrick Harvie (Glasgow) (Green): I thank the cabinet secretary for an advance copy of his statement. Those of us who support a people's vote are sometimes challenged with the point that, if the public were finally given the chance to cancel this mess, there would be a backlash and people would be driven towards the far right. However, is it not clear that far-right sentiments have been deliberately cultivated in the UK over decades of racist rhetoric and policy, and that far-right sentiments have been deliberately cultivated and unleashed by the Brexit campaign to such an extent that the far-right threat will rise whatever the consequence of Brexit—whether people use a sense of betrayal and defeat or of triumphalism at the end of the process? What discussions has the Scottish Government had, either within the Government or with Police Scotland, about the potential of the far-right threat, the ways in which we need to tackle it and the ways in which we need to oppose the toxic values that underpin it?

Michael Russell: I should ask my colleague the Cabinet Secretary for Justice to respond on the detail about Police Scotland and the justice issues that Patrick Harvie raised.

We all agree that the rise of the far right comes not just from active encouragement but from passive encouragement, which occurs when the EU is misrepresented and when people do not stand up for the virtues of co-operation and working together as sovereign states in the EU. That is the crucial issue.

I hope that a people's vote would give people the chance not just to reconsider what has taken place but to have a new consideration of how the issue has developed and been presented in the past two and a half years. The people who have walked away from their previous support for the EU because the Prime Minister and the Tory party told them to do so are hugely culpable. We must recognise that and make it clear to them. Tory MSPs are hugely culpable, because none of them has been prepared to stand up and say that what is going on is utterly wrong and should not be allowed to continue. I long for the day when I see

a Conservative with the courage to do that in Scotland.

Willie Rennie (North East Fife) (LD): The penultimate sentence of the cabinet secretary's statement was:

"The only sensible solution now available is a delay to article 50, a ruling out of a no deal and a people's vote."

I agree with him whole-heartedly. Yesterday, seven MPs left the Labour Party, in part because they feel so strongly about Europe. What practical steps will the cabinet secretary take in the next few days and weeks to build further support for a people's vote, so that we can get out of this mess?

Michael Russell: I will not get involved in the Labour Party's private grief; I leave that to others. Our group at Westminster has shown itself to be constructive on such matters—for example, last week's amendment, which I acknowledge that the Liberal Democrats supported, was positive and said that we should immediately secure an extension.

From what one hears from the EU, it is obvious that an extension would happen—I quoted President Juncker on that. All that needs to happen now is that the Conservative Government needs to ask for an extension. It might well get an extension beyond three months—it is clear that the atmosphere is changing and that the fears about the European Parliament's legitimacy if UK representatives were not seated there appear to be passing away.

I am working with our group at Westminster, as I am sure that Mr Rennie is working with his group there, to try to ensure broad support for a people's vote. The position would be transformed if the Labour Party whole-heartedly supported that, and I wish that it would. I have repeatedly and constructively said that in the chamber and I will go on saying it.

Ruth Maguire (Cunninghame South) (SNP): I note with a heavy heart the warnings in the cabinet secretary's statement about the impact on Scotland's unemployment figures. Does he agree that what we have seen in the past week—from job losses to souring trade relations—must act as a wake-up call for all members of this Parliament, and not least the Tories, about the seriousness of the situation that we find ourselves in and the risk that Theresa May's approach to Brexit poses?

Michael Russell: I agree. Unemployment is, of course, a major problem for the economy; it is also a personal tragedy for everyone who experiences it. In the circumstances, we should try to do everything that we can to avoid such tragedies. There is a way to do so. The first step to restore confidence would be to extend article 50.

The warning has been there for a considerable period. The Japanese Government issued a letter to the UK Government in September 2016 that made clear its attitude and what the attitude of its companies would be on Brexit. The Prime Minister chose to ignore that letter. If members look at it—I read the letter again last night—they will realise that everything that the Japanese Government did not want to happen has happened, and has been allowed to happen by the Conservatives. It is therefore little wonder that the Japanese Government is now saying that circumstances have changed and that we cannot continue to get the level of investments that we have had.

Widely, businesses are saying that they cannot cope. The Confederation of British Industry and, today, the National Farmers Union in England—and whole ranges of businesses—are saying that the situation is impossible to live with, yet the Conservatives do nothing. They still pursue a chimera in Brussels, with the Prime Minister rushing back across to negotiate something that is not negotiable.

In the circumstances, the Prime Minister needs to wake up and recognise that this is her responsibility. First of all, she should resign—that is the most useful thing that she could do. If she will not resign, the next thing that she needs to do is get an extension to article 50, to make sure that processes are in place to avoid a no deal, and then have a people's vote. After that, she can resign.

Donald Cameron (Highlands and Islands) (Con): The Scottish Government has previously conceded that there are circumstances in which this Parliament will consent to Brexit-related UK primary legislation, such as the Healthcare (International Arrangements) Bill. Does the cabinet secretary accept that there may be scenarios in the next few months when a similar situation occurs and that it would be in the national interest for this Parliament to consent to UK Government Brexit legislation?

Michael Russell: I am not entirely sure that Donald Cameron and I would agree on a definition of the national interest, but I will let that pass.

I agree with Donald Cameron that there may be circumstances in which introducing partial or complete legislative consent motions would be the right thing to do. We did that on the Healthcare (International Arrangements) Bill. Although in the end I do not think that anyone would have suffered, there was the potential for individuals, including vulnerable individuals, to suffer, so it was right for this Government to say that we would make an exception in that case.

However, we will not be bludgeoned, bullied or frightened into doing the wrong thing. As I

delivered my statement—some people may not have heard this; the microphones may not have picked it up—Adam Tomkins was shouting remarks about voting for the Prime Minister's deal, which would be the utterly wrong thing to do. To give legislative consent to the European Union (Withdrawal) Bill, which would also be the utterly wrong thing to do, will not happen—I will certainly recommend to this chamber that that does not happen. However, I do not want people individually to suffer, as might have been the case in relation to the Healthcare (International Arrangements) Bill, and if there were circumstances in which that would be the case, I hope that I would make the right decision. I respect Donald Cameron for raising the issue.

Stuart McMillan (Greenock and Inverclyde) (SNP): With a no-deal Brexit being increasingly likely following last week's vote, what clarity has the UK Government given the Scottish Government on post-Brexit funding, especially to replace current EU funding that supports jobs, infrastructure, research and our rural communities?

Michael Russell: There is no clarity on replacement funding. Some guarantees are in place in relation to continuation funding, such as for the agriculture sector, but they are limited, and the closer we look at them, the more insubstantial they become. We have tried to make it clear that where guarantees exist, we will honour them, provided that we are funded to honour them.

On the wider issues, there are no such guarantees, which is very concerning. For example, infrastructure funding, which would be of enormous importance to the Highlands and Islands, has dried up completely, and the money available from the European Investment Bank has also dried up. There are potentially new schemes, such as the so-called shared prosperity fund, which is regional and will be run from London—although that seems a bit of a contradiction—but we know virtually nothing about how that will operate; there was meant to be a consultation on it at the end of last year, but it has not taken place.

We would like to know what the proposals are; even better, we would like to be part of the discussion about how things should move forward. However, we simply do not get the answers.

Jamie Greene (West Scotland) (Con): The cabinet secretary said in his statement that he remains concerned that so many small businesses have not yet engaged in sufficient Brexit planning. Does he have a sense of the number of businesses that have not yet engaged in any form of preparedness, or of why they have not, given the prominence of Brexit in politics at the moment? What can he, his Government and all of us as MSPs do to better signpost to local businesses

some of the excellent joint agency resource that is available, including through the many excellent events that are being hosted across Scotland?

Michael Russell: Each individual member should know their own constituencies and regions and how to contact small businesses, and should be in the local newspapers encouraging that to happen. For an estimate of the number of businesses, I would have to rely on, for example, the Chancellor of the Exchequer, who has said that a vast number of businesses have not yet taken the issue up. Regrettably, that experience is true across these islands and for a number of reasons. I mentioned normalcy bias, for example, which means that people do not believe that a government could be as incompetent as the Tory Government, and are only now waking up to the fact that it could be.

If members have the ability to talk to small businesses, they should please do so and make sure that businesses use the resources that are available.

Keith Brown (Clackmannanshire and Dunblane) (SNP): European structural and social funds have been a very important source of additional resources for my constituency since the 1980s, when the Thatcher Government slashed regional aid to the north of England, Scotland and Wales. For example, in Clackmannanshire, such funds have supported economic development, job creation and training to the tune of £1.13 million since 2014. Will the cabinet secretary provide an update on whether that vital funding for my constituency will be provided after Brexit? Given that we have only 38 days to go, can he advise—I think I know the answer—whether the UK Government has provided any information on whether the shared prosperity fund will replace those resources?

Michael Russell: The answer to the second question is no, we have no such information.

The member is absolutely right to stress the importance of such funds. In the current 2014 to 2020 programme, £480 million has already been committed to projects across Scotland. I ask members to think about circumstances in which, over the next six years, say, £480 million pounds could be extracted from the Scottish economy, because there is no money available to replace those resources. We are in a very serious situation.

I know that the member speaks for his constituency, which has received £1.13 million in the current European programme. There are many constituencies that have received more. It is vital that we know what is happening, but we have heard no more about it, largely owing to the complete chaos in the Westminster Government.

James Kelly (Glasgow) (Lab): The cabinet secretary has outlined how the Government has made representations to the UK Government on the funding required to meet the cost of exiting the EU. If the full costs of that are not met by the UK Government, what contingency planning has the Scottish Government put in place to deal with that scenario?

Michael Russell: The member raises an important point. The Scottish Government is very limited in its ability to produce new resources and if money is not provided, it becomes a matter of whether we are able to spend or not. In the circumstances of a no-deal Brexit, we would feel an imperative to do everything that we possibly could, but we could find ourselves very short of resources to do so. That is why my colleague, the Cabinet Secretary for Finance, Economy and Fair Work, is pushing the issue with the Chief Secretary to the Treasury, among others.

A commitment of that sort is needed but has not been entered into. Therefore, I think that the issue will be dealt with a day at a time. Were we to find ourselves in such circumstances, we would have to continue to spend money on the things that we need to do and continue to pressure the UK Government, which has indicated that, in the event of a no-deal Brexit, there would be a supplementary budget. We would be very clear that we would require substantial resources to be made available within that supplementary budget to do the jobs that we would have to do.

Angela Constance (Almond Valley) (SNP): Paterson Arran is an award-winning food and drink company that employs 200 people, providing much-needed employment in my constituency. The company has written to me in detail about its concerns about the—I quote—“catastrophic consequences of Brexit”, given the impact on its cost base and supply chain of delays at ports etc. Will Mr Russell and/or Mr Ewing visit Paterson Arran to discuss its concerns and what more can be done to support this small but key manufacturer in our food and drink industry?

Michael Russell: I am sure that Mr Ewing would be happy to visit, as would I. The origins of the company are fascinating; it has been in existence for more than 100 years, since its earliest incarnation—I think that the Paterson part of the business was founded in 1896. It is world renowned for its shortbread and oatcakes and, of course, for the Arran brand of preserves and chutneys, and if the chain of production and export is interrupted, that will present an enormous problem.

I am sure that Mr Ewing—who tells me that he is undertaking a food resilience teleconference in 10 minutes’ time—will come back to the member

about a visit. I would be happy to visit too—and, I might suggest, to sample the oatcakes.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): The UK Government gave Derek Mackay £92 million in funding to prepare for leaving the EU. In England, funding was passed on to local authorities; in Scotland it was not. Why not?

Michael Russell: I know that some people have said that, but I dispute that account. I have met and continue to meet the Convention of Scottish Local Authorities, and I will see it again this week. We recognise that local authorities will have a requirement for funding and, in such circumstances, will work with COSLA to ensure that funding flows from the UK Government.

Of course, one of the differences—Rachael Hamilton needs to think about this for a moment—is that there is a direct line from the UK Government to local authorities whereas in Scotland there is a direct line from the UK Government to the Scottish Government. If the UK Government wants a direct line to local authorities, there is a discussion to have, but the routes for money are different. We will ensure that we assist local government as much as we can do.

It is very rich for a Tory to criticise a lack of funding for local government given the Tories’ attitude, first, to the budget in this place, and secondly, to Brexit. That is particularly so when the criticism comes from a Brexiteer—an original Brexiteer, I believe—[*Interruption.*] Or is Rachael Hamilton a born-again Brexiteer? Did she espouse Brexit originally, or has she come to Brexit new formed? Whatever it is, it is pretty rich, anyway.

Jenny Gilruth (Mid Fife and Glenrothes) (SNP): Has the Scottish Government considered commissioning an equalities impact assessment of the UK Government’s settled status fee, given that the requirement to pay the £65 remains in place for people over 16, although it is now refundable, and given that people are forced to travel from places such as Glenrothes in my constituency to Edinburgh to register for the scheme, at personal cost?

Michael Russell: I understand that travelling is required for document upload if the app does not upload documents. That is unacceptable. The technological history of the matter is a pretty sad one.

I am very glad that the fee has now disappeared. It is extraordinary for a Government to say, “Here’s a fee; you’ve got to pay it”, and then to celebrate when it abolishes it. I am glad that the fee has gone, but it should never have come in in the first place.

There is a wider issue around this, which is about how we say to EU nationals, “We need you here.” It is not a question simply of being nice to people; the Scottish economy needs the presence of EU nationals—people who have chosen to make their homes here.

I want to hear about that from the Conservative benches; I do not want to hear “Brexit” from the Conservative benches—lots of people are saying that. I want to hear the Conservatives say, “Stay” to EU nationals, instead of pandering to the hard right in their party, which is all that they are presently doing.

Joan McAlpine (South Scotland) (SNP): The Tory defence secretary, Gavin Williamson, caused great offence when he suggested that a post-Brexit Britain would use lethal force and threatened to park a new aircraft carrier in China’s back yard. The *Financial Times* reports that that has resulted in UK trade talks in Beijing being cancelled. What effect does the cabinet secretary think that Mr Williamson’s speech has had on Scotland’s trading relationship with China?

Michael Russell: If anyone is listening from Beijing or elsewhere, I want them to know that the Scottish Parliament has no interest in supporting Gavin Williamson. He is a comic-opera figure; he is the Private Pike of the UK Government, and his speech was nonsensical—it also used words that are not in the English language. [*Interruption.*] For him to give a speech that had such an effect shows that we are dealing with people who have no sense of how a Government should operate.

The real tragedy is that, as I was saying that, I could hear words of support for Gavin Williamson coming from the Tory benches. The Tories are so out of touch with what is happening, not just in Scotland and in the UK but in the world, that it really is time that they stepped back and—as my old granny said—took a jump to themselves.

Scottish Rate Resolution

The Deputy Presiding Officer (Linda Fabiani): The next item of business is a debate on motion S5M-15879, in the name of Derek Mackay, on the Scottish rate resolution.

15:20

The Minister for Public Finance and Digital Economy (Kate Forbes): Today, the Scottish Parliament will vote to set all rates and bands for Scottish income tax as we use the Parliament’s powers to build a fairer and more prosperous country. This is our opportunity to show our commitment to funding essential public services, to investing in our economy and to caring for those who are most in need.

Parliament should also be aware that the Cabinet Secretary for Finance, Economy and Fair Work has written to the Presiding Officer about the procedural connection between the motion for the Scottish rate resolution and the Budget (Scotland) (No 3) Bill. The effect of rule 9.16.7 of the standing orders is that stage 3 of the bill cannot begin until Parliament has agreed to the Scottish rate resolution motion.

This is an important day. As a Parliament, we will set income tax rates for 2019-20, which are forecast to raise more than £11.5 billion to support the best outcomes for the people of Scotland. In the budget, we have taken responsible decisions to ensure that Scottish income tax is progressive and will raise the revenue that is needed to support essential public services and the economy. It does so in the context of continuing United Kingdom austerity, and against a backdrop of a UK Government that is careering toward Brexit at any cost—at the cost of our economy, of free movement of skills and talent, and of our public finances. In sharp contrast to the chaos and uncertainty of the UK Government, the Scottish Government will keep on delivering good governance for Scotland.

Our income tax proposals will continue to follow the four key tests that we introduced in 2017. First, our income tax policy will protect the lowest-paid taxpayers. Secondly, it will improve progressivity. Thirdly, it will raise additional revenue to maintain and promote Scottish public services. Fourthly, when taken in conjunction with our spending plans, it will support the Scottish economy. The proposals that are before the chamber today pass those four tests, so I am asking the Scottish Parliament to agree to the Scottish rate resolution motion, which will, for the tax year 2019-20, raise additional revenue to invest in public services, to tackle poverty and to support Scotland’s economy. It will also continue to protect lower-earning and

middle-earning taxpayers, thereby making the system fairer and more progressive.

James Kelly (Glasgow) (Lab): On tackling poverty, does the minister think that the tax proposals that the Government has put before Parliament are fair, given that 99 per cent of taxpayers will pay less tax while there are 230,000 children in the country living in poverty?

Kate Forbes: As James Kelly will know, our tax policies will raise an extra £68 million to invest in public services and, crucially—in conjunction with various budget spending plans—to tackle poverty.

My question to Labour is this: what is its tax policy this week? What would Labour's mysterious tax policy have raised to deal with the critical issues that the country faces? A cornerstone of the Scottish approach to taxation is certainty, which is why we will not raise any of the rates of income tax in 2019-20. It is important, however, that we will increase the starter and basic-rate bands by inflation in order to protect the lowest-earning and middle-earning taxpayers.

Elaine Smith (Central Scotland) (Lab): Can the minister tell us why Scottish National Party manifesto after manifesto supported reinstating the 50p top rate of tax, but now, in this session of Parliament, the SNP does not support that?

Kate Forbes: We base all our decisions on evidence to ensure that we have certainty about public revenue for our public spending plans, in order that we can deal with the critical issue of poverty. We require certainty about revenue; pulling tax rates out of the sky will not guarantee that revenue.

Labour has had several months to come to the finance secretary with its proposals and with spending plans that have actually been costed, but it has failed to do so. In sharp contrast to that, our Government's policies will ensure that there is public revenue to back up our public spending plans. Our tax policies will ensure that 55 per cent of Scottish taxpayers continue to pay less than they would pay if they lived elsewhere in the UK. Now is not the time to pass on the UK Government's tax cuts for the highest earners. Under our proposals, the higher-rate threshold will remain frozen at £43,430 in 2019-20. That is a decision that the Scottish Fiscal Commission has forecast will raise, for the budget next year, an additional £68 million above an inflationary increase.

Mike Rumbles (North East Scotland) (LD): Will the minister give way?

Kate Forbes: I hear the scintillating tones of another member.

Mike Rumbles: I thank the minister for taking my intervention. Would she call it progressive for

the state to take more than half of the income of people who earn more than £43,000? Is it progressive to take more than half for the state?

Kate Forbes: What I do not think is progressive is the Liberal Democrats piping up now in a debate when they have had months to engage meaningfully, to negotiate and maybe—just maybe—to have shaped the budget. It is a classic example of their being all talk and absolutely no action to deliver their policies.

Our decisions on tax have enabled us to mitigate the decade-long bite of austerity that has been inflicted by the UK Government on our resource budget, and to continue to invest in our public services, our people and our businesses. Since the Scottish Parliament acquired powers over income tax, this Government has been clear in its ambition that income tax revenues should support the delivery of vital public services and enable investment in the economy.

Overall, the Scottish Government's progressive approach to taxation will deliver additional revenue next year to support a budget that will protect our public services that are free at the point of use, increase spending on health and care services by nearly £0.75 billion, provide local government with a real-terms increase in revenue and capital funding, and provide more than £5 billion of capital investment to grow and modernise Scotland's infrastructure.

I am also proud that, as a Government, we are transforming the social security landscape with the creation of a compassionate and just Scottish social security system that has at its heart dignity, fairness and respect.

I am confident that the income tax proposals that we have put before Parliament will deliver the best outcomes for the people and the economy of Scotland. Tax powers are not a political toy; they have an impact on individuals and the economy. The decisions that this Government has made have to be seen in the context of the UK Government's continued pursuit of budget cuts. Scotland's discretionary resource budget allocation will be £1.9 billion lower in real terms in 2019-20 than it was in 2010-11. That is a fall of 6.5 per cent. That puts a huge strain on public spending, which the budget works hard to manage.

A key principle, born of Adam Smith, is that taxes should be proportionate to the ability to pay. In the present context, that means that we must ensure that those who are least able to pay are not shouldering the burden of austerity.

Some members are desperate to claim that our tax policy is a major risk to Scotland's economy, despite the fact that even under the most pessimistic assumptions, our income tax policies

would still raise additional revenues and our economy would continue to grow. It is interesting that those same members are sitting idly by as their party at Westminster presides over the shambles of Brexit, which all business organisations identify as the greatest threat to the Scottish economy. Unlike those members, we want our decisions to be based always on the best evidence.

The cabinet secretary has asked our Council of Economic Advisers to expand its analysis of the impact of potential behavioural effects of tax policy changes and the possible impact on future revenues. I look forward to seeing the council's advice, which will—as always—form an important part of future budget decisions on income tax.

The delivery of Scottish income tax has been a major achievement. However, while Westminster retains control over key elements of income tax and the administration of Scottish income tax, we continue to work closely with Her Majesty's Revenue and Customs to ensure that the devolved and reserved aspects of income tax work together as smoothly as possible. The status quo is not perfect, and we continue to be limited in our ability to use the tool to best effect while the administration of income tax, national insurance and income tax on dividends and savings remains with the UK Government.

Notwithstanding those limitations, as income tax receipts now account for about 30 per cent of Scottish Government revenues, we continue to invest in the Scottish economy and its workforce in order to improve the prospects of economic and employment growth. The Scottish economy, which is the powerhouse that fuels ambition for Scotland, has seen positive growth in all seven quarters since the start of 2017. Our annual growth rate remains at 1.5 per cent, which is in line with the UK rate, and unemployment in Scotland is at a record low, as statistics released today have proved once again. Furthermore, since 2007, Scotland's productivity growth has been faster than that in all other countries and regions of the UK, including London and south-east England.

Our on-going investment in the economy comes at a time when Scotland's economic performance has remained resilient despite heightened economic uncertainty, as the UK Government recklessly moves closer to crashing out of the European Union. Against that backdrop, our income tax proposals start from a strong base. Since we introduced our fairer tax system, our economy has grown in line with that of the UK, which demonstrates that those who predicted that our tax policy would hit the economy were wrong.

Future revenues for the Scottish Government will be driven by our policy choices and by the relative growth per capita in our tax receipts. On

12 December, the Scottish Fiscal Commission published its latest set of independent economic and fiscal forecasts, in which forecasts of GDP growth were revised upwards for every year. The commission expects the Scottish economy to grow by 1.2 per cent in 2019, by 1 per cent in 2020 and 2021, by 1.1 per cent in 2022 and by 1.2 per cent in 2023. We will do everything in our power to exceed those forecasts, but the commission makes it clear that Brexit is a key factor that is expected to lead to slower growth in productivity, population and trade in future years.

At a time of constrained growth, prolonged austerity and growing economic uncertainty—all of which are exacerbated by the current UK Government—we propose to protect the lowest-earning taxpayers, to deliver a progressive tax system and to raise additional revenue to support vital public services.

I move,

That the Parliament agrees that, for the purposes of section 11A of the Income Tax Act 2007 (which provides for income tax to be charged at Scottish rates on certain non-savings and non-dividend income of a Scottish taxpayer), the Scottish rates and limits for the tax year 2019-20 are as follows—

(a) a starter rate of 19%, charged on income up to a limit of £2,049,

(b) the Scottish basic rate is 20%, charged on income above £2,049 and up to a limit of £12,444,

(c) an intermediate rate of 21%, charged on income above £12,444 and up to a limit of £30,930,

(d) a higher rate of 41%, charged on income above £30,930 and up to a limit of £150,000, and

(e) a top rate of 46%, charged on income above £150,000.

15:33

Murdo Fraser (Mid Scotland and Fife) (Con): I am disappointed that, after the Cabinet Secretary for Finance, Economy and Fair Work spent all that money on improving his speaking skill, he did not get the chance to show it off in the debate this afternoon. I hope that we will return to that on Thursday.

The Scottish Conservatives will oppose the Scottish rate resolution because we do not believe that it is fair to burden hard-working Scots with yet more taxes and to widen the income tax gap between Scotland and the rest of the UK. In the debate, we will highlight the SNP's broken promises to the Scottish people, but it is first worth setting in context the decisions that the finance secretary has had to make on taxation. According to the Scottish Parliament information centre, in 2019-20 the block grant from Westminster will increase in real terms by around £521 million. That means that, despite all the rhetoric that we hear from those on the SNP benches about Westminster cuts, the Scottish Government will have more money to spend in the coming year

than it has in the current one. Indeed, looking at the Scottish Government's entire budget, it is up in real terms compared with when the Conservatives first came to power in Westminster in 2010.

We should remember what the SNP promised the voters of Scotland at the last election. In 2016, its manifesto said:

"We will freeze the Basic Rate of Income Tax throughout the next Parliament to protect those on low and middle incomes."

Nicola Sturgeon herself said, in this Parliament:

"I have been very clear that the Government will not increase income tax rates."—[*Official Report*, 2 February 2017; c 10.]

Well, Presiding Officer, it did not take long for that promise to be broken.

John Mason (Glasgow Shettleston) (SNP): Does Murdo Fraser accept that a party's manifesto pledges are dependent on its being able to form a majority Government, and that minority Governments always have to negotiate their positions?

Murdo Fraser: The Scottish Conservatives would have been delighted to sit down with the SNP Government and deliver a tax policy for Scotland that was about growing the economy and tax revenues, but the SNP Government was more interested in talking to its friends in the Scottish Green Party than it was in having constructive discussions with us. But who knows? There is always next year, Mr Mason. We live in hope.

In last year's budget we saw higher taxes in Scotland compared with those in the rest of the UK for some 45 per cent of the Scottish population, breaking that manifesto pledge. In the rate resolution that we see today, the SNP is going even further. Thanks to its tax changes, everyone in Scotland who earns more than £26,990 a year will pay more in tax than they would pay in the rest of the UK. They are not the rich or the wealthy people in our society; they are ordinary, hard-working families—some with a household income of just £27,000—who are being penalised by the SNP. In practical terms, that means that a police sergeant who earns just over £45,000 will be nearly £700 a year worse off than their counterpart south of the border, and that a principal teacher who earns £51,330 will be more than £1,500 a year worse off.

It is little wonder that we have heard those in business raising concerns about the impact of such tax changes. The Confederation of British Industry Scotland has warned that divergence in income tax will be a major issue for companies that are keen to attract the best talent. The Scottish Chambers of Commerce has warned that it

"could take years to repair"

the damage of higher taxes. In March 2018, the Scottish Lifesciences Association told the First Minister that it had "strong concerns" about tax increases that would damage the ability to recruit highly skilled people. After stage 1 of the Budget (Scotland) (No 3) Bill, just three weeks ago, the Federation of Small Businesses Scotland said that the Cabinet Secretary for Finance, Economy and Fair Work's budget changes would

"erode the small business community's trust".

That there will be behaviour change as a result of such tax increases is beyond doubt. The Scottish Fiscal Commission has predicted that Scotland will lose approximately £34 million over the next five years, because people will be encouraged to leave Scotland, or not to come here to begin with. That may prove to be an underestimate if the tax gap continues to grow. Just today, we have seen the Chartered Institute of Taxation warn that the 15 per cent of all Scottish taxpayers who contribute almost 60 per cent of the entire tax revenues could take legitimate steps to limit their tax liabilities—for example, by working fewer hours or by putting more money into pension payments rather than taking it as salary—which would have a detrimental impact on both the Scottish economy and our overall tax revenue.

The saving of £20 a year that we have seen for the lowest-paid taxpayers pales into insignificance against the additional costs that we are seeing from other tax changes in the budget. Although we are talking about the rate resolution today, we must put that into the context of the wider tax changes that we are seeing. For example, increasing the council tax cap from 3 to 4.78 per cent—another broken manifesto promise from the SNP—will hit lower-income families in the pocket. Worse than that, we have the new car park tax—the workplace parking levy—that could cost each taxpayer up to £500 per year. That would be a regressive tax, one that is not based on the ability to pay and will hit the lowest earners the hardest.

Patrick Harvie (Glasgow) (Green) rose—

Murdo Fraser: I will give way in a second.

In moving the motion for the debate, the minister made the point that the tax changes that are being announced today will protect the lowest paid. However, those who will suffer the most from a £500-a-year flat charge will be the lowest paid, many of whom have no option but to use cars as their means of getting to work.

Patrick Harvie: I am grateful to Murdo Fraser for giving way. Twice, now, he has used a specific figure for what the workplace parking levy will actually cost people. Presumably, then, he is

aware of some Scottish local authorities that have developed specific proposals and set out what their levies would be. Can he name those local authorities or does he just want to tie the hands of all of them to forbid them from even considering whether they might use the policy?

Murdo Fraser: Mr Harvie knows perfectly well that the reason why we are using the figure of £500 is that the only existing model for this in the United Kingdom is in Nottingham, where the charge is £419 a year, to which must be added VAT if it is charged out by employers to employees. If Mr Harvie wants to come forward with a suite of alternatives, we will be happy to debate them with him, and I am sure that local government will want to do that, too. However, I think it is reasonable to proceed on the assumption that that is the sort of level of charge that is likely to be imposed here, and we know that SNP-run councils, for example here in Edinburgh, are already enthusiastically talking about the charge. The SNP leader of the City of Edinburgh Council is already saying that he wants the charge to be paid not by employers but by employees. The low-paid employees that this Government says it wants to protect are facing a flat charge of £500 a year: a regressive flat-rate tax.

We know that the Scottish economy has been underperforming that of the UK as a whole, and the Scottish Fiscal Commission's forecasts show that that situation will continue in each of the next four years. We see the impact of that in the income tax projections from the Fiscal Commission, with a £500 million black hole at the heart of the Scottish Government's income projections for the current year.

The Deputy Presiding Officer: Please come to a close.

Murdo Fraser: Those forecasts may prove to be incorrect, but if they do not, there will be a large gap to be filled in two years' time.

I could go on at great length, but let me reiterate that the resolution that we are discussing today breaks manifesto promises from the SNP, and for that reason this Parliament should reject it.

15:41

James Kelly (Glasgow) (Lab): Scottish Labour will oppose the rate resolution that is before the Parliament today. We do not favour giving tax cuts to chief executives while penalising councils and asking them to make service cuts. It is simply unfair that high earners on six-figure salaries will pay less tax while councils face the prospect of having to make workers redundant.

Against the background of the Government bringing the rate resolution forward must be set

the Fiscal Commission's forecasts for 2019-20, which show income tax down by £1 billion. Once that is fed into the block grant adjustment, it could mean £500 million less money. The main driver for that is the lower number of higher and top rate taxpayers, which has come as a result of the HMRC outturn report. That is not the Government's fault, but it needs to take account of the circumstances in setting tax policy, particularly when assessed against the situation in the country. We continue to see big issues around poverty and inequality, and 230,000 children in Scotland are living in poverty. Many wards, including in the cabinet secretary's constituency, have poverty rates running at 30 per cent. That is why charities and third-sector groups favoured raising child benefit by £5 a week—something that was also given some support recently by Kevin Pringle, who is obviously respected on the SNP benches.

The other factor that needs to be taken into account is the public service cuts that we are starting to see as councils begin to set their budgets. At the weekend, we saw workers in Dundee demonstrating in the streets because the council there is looking at proposals in education alone to cut school budgets by 3 per cent, which could result in a reduction of 26 teaching posts. That does not say much for the Government's commitment to education. In Aberdeenshire, there are proposed cuts to schools and libraries, with a potential loss of 150 positions. In Clackmannanshire, the citizens advice bureau faces the threat of its support being cut altogether. Against that backdrop, the tax policy that has been introduced by the SNP Government is simply unfair.

Kate Forbes: In order to fund all those additional asks, by how much would the higher-rate tax rate have to be increased?

James Kelly: The SNP Government should charge top-rate taxpayers 50 pence. In addition, the higher-rate band between £43,430 and £150,000 is too wide. Additional tax should be raised from that band, which would raise significant amounts of money to mitigate the council cuts that I have outlined, as well as tackle child poverty. The reality is that the SNP Government has made a choice to introduce a tax cuts budget that will favour 99 per cent of taxpayers, but at the same time it continues to penalise local councils and lacks the ambition to tackle child poverty.

Patrick Harvie: Mr Kelly knows that a large bulk of the tax cuts that he is talking about result from changes to the personal allowance, which is a UK change. Can he remind us how Labour voted on that? Did Labour argue against the change to the

personal allowance, or vote for it, in the same way that it voted for the cuts to the higher rate?

James Kelly: We made our position in Scotland absolutely clear in relation to that matter, as we will make our position clear when we vote this evening against a tax policy that lacks ambition. There has been a lot of commentary on and coverage of the 20-year anniversary of devolution. If we went back to 1999 and said to someone that, in 20 years' time, the Scottish Parliament will set a tax rate that will result in tax cuts for bankers in Bearsden, lawyers in Lossiemouth and chartered accountants in Carnoustie, but at the same time, a pool attendant in a local leisure centre might be out of a job because the leisure centre is closing, they would not have believed it. They would have said that the Tories must be in power, but this policy is coming from a supposedly progressive SNP Government. It is simply not good enough. The reality is that the cuts, which will pass on austerity, will also blunt economic growth.

We see from analysis that was published yesterday that there have been £417 million of cuts to university education. We need to invest in education and in universities if we are to produce the appropriate graduates who have the skills that will contribute to the growth of the Scottish economy.

The Cabinet Secretary for Finance, Economy and Fair Work (Derek Mackay): Will the member take an intervention?

James Kelly: I am sorry, I am running out of time.

Labour will not support a rate resolution that puts more money in the pockets of higher earners and poses the threat of P45s for council workers. We need a plan that uses the powers of devolution positively, to stop the cuts and tackle child poverty. The plan that is being proposed by the SNP Government lacks ambition and misses a chance to help many people in communities across the country; it should be rejected.

15:48

Patrick Harvie (Glasgow) (Green): I rise with mixed feelings, because I see a rate resolution that, although not perfect, is a great deal better than James Kelly, for example, gave it credit for. We are not seeing a rate resolution that itself includes cuts for high earners—the cuts for high earners are the result of UK policies. We are seeing a rate resolution that could do better.

In the 2016 election, the Greens were the only party to suggest creative proposals for the use of new devolved income tax powers. We were not refusing to act, but we were not hiking tax for low

earners. We were finding ways to show that it is possible to raise revenue while cutting inequality.

After the election, it took us another year and a half of consistently making the case before the Scottish Government accepted that that was what should be done. The shift to a five-band system last year was absolutely the right move, and it was underpinned by the right priorities: raising revenue, protecting low earners, cutting inequality and so on. I was pleased to see that policy implemented last year and pleased that it has proved to be more popular than the Scottish Government thought it might be. Late last year, I was even pleased to see the Scottish Government picking up a gong for innovation at the Scottish public service awards for developing the new policy with rigorous analysis and open, participative public and civic engagement. That is how we should do these things.

Elaine Smith: Is Patrick Harvie pleased to see cuts of £230 million to local government?

Patrick Harvie: I am pleased that we have done what we could to prevent cuts to local government. I only wish that every political party in this place was putting forward positive, well worked-out, costed proposals and seeking improvements to the Scottish budget. If we all did that, the result would be better than what we have managed to achieve on our own.

Murdo Fraser: Will Patrick Harvie give way?

Patrick Harvie: I am sorry, but I need to move on.

The open, participative approach to setting tax policy contrasts with the shallow rhetoric that we often hear from the Conservatives, who want to portray Scotland as the highest-taxed part of the UK, to which Derek Mackay has sometimes replied that we are the lowest-taxed part. The reality is that we are both: we are the lowest-taxed part of the UK for low earners and the highest-taxed part for high earners, which is as it should be. If Murdo Fraser wants to intervene to address that point, I am happy to let him.

Murdo Fraser: The debate has moved along a little from the point that I was going to make. When Patrick Harvie negotiated the extra £90 million for local government, was he aware that there was another £54 million that he could have had and that Mr Mackay was keeping quiet about?

Patrick Harvie: We have had this out in the Finance and Constitution Committee. I do not think that anything has been kept quiet. The very clear commitment to fund the teacher pay settlement is something that even the Scottish Conservatives ought to welcome, because they know that we need it to attract the teachers whom we need.

After the progress that we made last year, it is regrettable that the Scottish Government still resists the case for building on that progress and going further, especially in the context of the UK change that I mentioned to James Kelly: the uplift in the personal allowance. There are always people who say that we have lifted more people out of taxation altogether by raising the personal allowance, but increasing the personal allowance is not a progressive measure. The bulk of what that policy costs goes to high-income households; it achieves nothing at all for the lowest earners, who are already below where the threshold was. The increase in the personal allowance is not a positive step. It would have been possible for the Scottish Government to recoup the costs not from everybody, but from high earners, to prevent that tax cut from benefiting those who need it the least.

Mike Rumbles: Could you make it clear whether you will vote for the resolution or abstain?

Patrick Harvie: We have made that clear already. When we reached an agreement with the Scottish Government on the budget, we agreed that we would abstain on the rate resolution because we do not believe that it goes far enough. However, we are not willing to risk the wider achievements that we have made through amendments to the budget, which will fall if the rate resolution falls.

The tax gap that the Conservatives are concerned about and the tax cuts at the top end that the Labour Party is concerned about—which I, too, oppose—are the result of UK policies, as is the national insurance anomaly. National insurance is not a progressive means of funding public services or the social security system. Its tax base is income, but its tax rate goes down when income goes up—an absurd notion. While the regressive system of national insurance remains reserved and the ability to take a progressive approach to income tax is devolved, a situation in which there will be no anomalies is not achievable.

We have a more progressive approach in Scotland. I wish the Scottish Government was going further to build on it, boost the budget further and decrease inequality, but I will abstain on the rate resolution to allow it to pass. I will continue to make the case for a wider context of creative, innovative approaches to taxation on wealth as well as on income, on consumption as well as on production, and at national as well as at local level. All of those are needed.

15:55

Willie Rennie (North East Fife) (LD): I read in Dundee's *The Courier* this morning that Patrick Harvie is really angry: angry that the SNP

Government is not putting tax up enough. I would have thought that that level of anger and the concern that he has just expressed would have led Patrick Harvie to vote against the rate resolution today, but no. As we have just heard, he is going to oppose it by abstaining at 5 o'clock. As he has just outlined and as his budget letter to Derek Mackay makes clear, that will allow the SNP to win the vote this evening. The Greens are so angry that they will oppose the Scottish rate resolution by letting the SNP win.

It is curious, because last year this tax package was devised by the Greens. Now they have reflected, they are angry about it. If the people who invented the tax system are not even going to vote for it, I am not surprised that nobody else in the chamber is going to vote for it either.

Derek Mackay: Will the member give way?

Willie Rennie: No, not just now.

Back in 2016, the Liberal Democrats were the first to advocate the use of the new income tax powers gained by the Scottish Parliament as a result of the Calman commission. They are powers that we drew up under the Steel commission and the Campbell commission and we are determined to use them responsibly. We said that a modest tax rise could secure a significant financial investment for education without resulting in adverse behavioural change. We were never in favour of ramping up tax at every budget and at every opportunity—it was about balance.

Everyone knows that the SNP broke its 2016 election manifesto commitment on income tax. It said there would be no rise for basic-rate taxpayers. It then rebranded a lot of the basic-rate taxpayers as something else and stuck up their tax. It was dishonest. The SNP told taxpayers that there would be no tax increase, before putting up their tax.

However, I am thankful that the SNP's 2016 manifesto was wrong. It is early days, but there seems to be no evidence of which I am aware that the tax increase has driven taxpayers out of the country. However, it is a delicate balance. Sometimes, it is about perception and future intentions. If taxpayers believe that tax increases will come with every budget, we may see adverse behavioural change. The issue should be treated with care.

So far, with this budget, the Government has been careless. This budget agreement has five separate tax rises. There is a freeze in the higher-rate tax threshold; a council tax increase above the 3 per cent promised by the SNP in its manifesto, which is another broken promise; the plastic bag tax increase, which breaks the important link between charities and the charge and gives some of the money to councils; the

tourism tax; and the workplace parking levy—a last-minute, poorly prepared amendment to the Transport (Scotland) Bill.

Irrespective of the merits of those individual changes, the overall impression is one of a Government that is ramping up tax in a wide range of areas and at every budget. None of those five increases was in the SNP manifesto. Many of them were not even in the Green manifesto. The Government is making it up as it goes along, without a mandate for change and with a tax agenda that is apparently unstoppable.

Derek Mackay: Most of the subject areas that Willie Rennie has just mentioned are powers that Liberal Democrats in local government are asking me for. Is Willie Rennie saying that Liberal Democrats in local government are wrong to be asking not necessarily for tax rises but for the powers that the Government is proposing to give them through localism?

Willie Rennie: I do not support giving local government a bunch of taxes that do not raise the money that is necessary and calling it local government finance reform. It is a con and it is disrespecting councils. It is not proper local government finance reform, so I urge the Government to be very delicate and careful with its proposals.

This is bad news for those of us who support modest, progressive tax changes that deliver a benefit to public services. It is bad news, as some of the taxes will not work. They will not deliver the investment that we need for public services and they will give progressive Governments a bad name. Flaws in the Government's approach cannot be hidden by the fig leaf of local government finance reform. Handing councils a bunch of taxes that will not work and will not raise the funds that councils need is not reform; it is another example of this Government treating councils with the disrespect that has become the norm for it.

We must win the argument that modest, progressive tax changes can work. I want to give confidence that progressive, modest change is possible and is good for public services. This budget does not help that mission.

We will oppose the rate resolution today. If the Greens are really angry, they will join us. However, as ever, it is all about independence and keeping the independence majority together. No matter what the damage to progressive politics, those two parties will always be together.

The Deputy Presiding Officer: We move to the open debate. Time is really tight, so I ask for speeches of under six minutes, please, to avoid penalising members towards the end. Just before I leave the chair, I remind all members that they

should always speak through the chair, even in an intervention.

16:00

John Mason (Glasgow Shettleston) (SNP): I welcome this resolution as a continuing effort to move to a more progressive and fairer income tax system and, eventually, to a fairer overall tax system. Our focus today is clearly on income tax, but that is not a devolved tax and we have very limited or no control over many aspects of it. Many of us would agree that income tax is one of the fairest taxes because it is linked to income and those who earn more rightly pay more. Property taxes such as council tax or rates and sales taxes such as VAT are also necessary and have their place. However, a criticism of them is that they do not take account of the ability to pay—at least the ability based on income—whereas income tax does take the ability to pay into account.

The UK's income tax system is overly complex and has many weaknesses. A main criticism, which Patrick Harvie touched on, is that we actually have two income taxes: income tax itself and national insurance. National insurance is particularly unfair, because it is regressive, with a starting rate of 12 per cent that reduces to 2 per cent for those on higher incomes. Someone on 20 per cent income tax and 12 per cent national insurance pays 32 per cent on a fairly low income while, at the upper end, 46 per cent plus 2 per cent gives a total of 48 per cent. If we combine the two, we have a range from 32 per cent at the bottom to 48 per cent at the top, which is far too narrow in my opinion.

It has been repeatedly suggested to Westminster Governments that it would be fairer and much simpler if income tax and national insurance were to be combined, but they have repeatedly refused to do that. Perhaps that is because the media focus tends to be on income tax and not on national insurance, so, if the two were combined, taxpayers throughout the UK would see much more clearly what an unfair and regressive system the UK currently has. Frankly, I would rather have a combined rate of tax and national insurance that started at about 10 per cent and went up in steps to perhaps 60 per cent. I have argued for that before, and I will continue to do so. The issue is a reminder that any Scottish Government of any party has to build on a very second-rate UK income tax system—so, our first problem is a flawed UK system.

The second major problem that we face is that this Parliament has control or influence over only a very limited range of taxes. The UK controls corporation tax, VAT and inheritance tax, to name but three. If we were able, as a free country, to use a whole basket of taxes, there might be less

emphasis on the rates of income tax and we would be able to put more of the burden on to those people who are very wealthy.

The main reason why we are only assigned a share of VAT in due course, instead of being allowed control over it, has been that the EU does not allow VAT variations within a state. If we leave the EU—which I am totally opposed to—it appears that it will be possible for VAT to be devolved. We would have to look at each of those taxes individually and consider how best to use them if they were devolved. However, Ireland has used variations of corporation tax to its advantage, and even states in the US can and do vary sales taxes.

I understand that the Conservatives argue that the level of income tax in Scotland is too high and that we should cut tax while also cutting expenditure. To be clear, the Tories are arguing that they want to cut expenditure on schools, hospitals and local government. They are entitled to that position—that is fair enough—but I am glad that a majority in this Parliament disagree with that view. On the other hand, I think that the Greens—and possibly Labour—would feel that income tax is not high enough or progressive enough, and my sympathies are certainly more towards them than towards the Conservatives.

Elaine Smith: To come back to the powers that we actually have, what is the member's opinion about the fact that those earning just over £43,000 are paying the same level of income tax as those earning up to three times that amount?

John Mason: As I have tried to explain, I would like to see a more progressive system right across the board. I am just going on to the issue of comparisons with England, because we have to be a bit careful about that.

Frankly, I do not like constant comparisons with our neighbours down south. It is not healthy for an individual, a family or a country to be constantly comparing with the folk next door. We know, in particular, the pressure that children can put on parents when they want the same clothing brands or the same information technology products as their school peers have. I believe that, as a country, we must look at our income and expenditure and decide what is right for us without being fixated on what England is doing. At the same time, I accept that we are in bed with an elephant and that we have to tread carefully with a tax such as income tax. Residence can be changed fairly readily, and the last thing that we want is to lose taxpayers—and, subsequently, all their tax—from Scotland to the rest of the UK or anywhere else.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): Will the member take an intervention?

John Mason: I am sorry, but I do not think that I have time.

The Deputy Presiding Officer (Christine Grahame): The member is just concluding. He has only six minutes.

John Mason: I therefore think that the gradual move to differentiate our tax rates—in fact, our whole tax system—is the right approach. We do not yet know how many people will choose to be in Scotland in the longer term because there are higher taxes and better public services here or, on the other hand, how many people will want to go to a low-tax, low-service regime such as England aspires to.

I certainly support the motion. As I have tried to argue, we are dealing with a very flawed UK tax system. However, we are where we are, and I support the plan for Scotland that will make us a bit more progressive and a bit fairer than we have been.

16:07

Bill Bowman (North East Scotland) (Con): As the third chartered accountant to speak in the debate, I hope that everybody is still managing to keep awake.

Today, the SNP seeks this chamber's agreement to the proposed rates and bands for Scottish income tax. This income tax proposal will punish hard workers, raise taxes and damage Scotland's overall economic growth. As has been said in the chamber before, the SNP, in its endeavour to deliver these policies, has broken its promises to the Scottish people. Derek Mackay has forced more tax rises on Scotland against the wishes of almost two thirds of Scots, who, in the Scottish Parliament election, voted for parties that promised not to raise taxes.

Two years in, the only thing that Mr Mackay has stayed true to is his willingness to use the ever eager Greens to push through his budget—as with the poorly conceived car park tax, on which he admits he has done no economic analysis but through which he has the audacity to propose fining businesses pounds for every day that they do not comply fully with the rules on declaring car parking spaces. Hard-working Scots and businesses are rightly appalled by that proposal, and dissent among his own supporters should tell him what a disaster that tax is going to be.

Irrespective of the SNP's and the Greens' grubby deal, the SNP's budget was increasing by £521 million in real terms in 2019-20 thanks to the Conservatives and the UK Government. The block grant from the UK Government will rise by 1.7 per cent in real terms next year and the Scottish Government's budget will increase by £1.1 billion

in cash terms in 2019-20. That is on top of the increase in the tax-free personal allowance to £12,500, meaning that the spending cuts and tax rises proposed today are Mr Mackay's choices, not a necessity.

Those decisions have real-time consequences. We are talking about Scotland's fiscal deficit under the SNP being three and a half times the size of the UK's deficit and nearly double that of any other EU country; we are talking about the gap between the UK's and Scotland's deficits as a percentage of GDP being the largest since "Government Expenditure and Revenue Scotland" records began, in 1998-99; and we are talking about the erosion of trust between the Scottish Government and ordinary Scots.

Since 2010, the Conservative UK Government has cut income tax for Scots on the basic rate by over £1,000 and has increased the tax-free personal allowance.

Tom Arthur (Renfrewshire South) (SNP): I wonder whether Mr Bowman can clarify a point for me. Is it Scottish Conservative Party policy that income tax rates in Scotland should not be a penny higher than they are in the rest of the UK and that income tax rate thresholds in Scotland should not be a penny lower than they are in the rest of the UK?

Bill Bowman: We say that the taxation here should be competitive with that in the rest of the UK.

In response to the decision that I mentioned, the SNP has broken a 2016 election promise and has raised taxes for anyone who earns over £26,990. They will now pay more in tax than they would in the rest of the UK. Is the decision to put those on low and middle incomes and Scotland's larger economy at risk through the budget a responsible thing to do?

The Scottish economy is suffering under a decade of SNP mismanagement and incompetence. According to the Scottish Retail Consortium, that has produced

"the worst real term December sales figures in twenty years."

Patrick Harvie: Will the member take an intervention?

Bill Bowman: I do not have time. I have taken an intervention.

Calls have been made for the SNP to cut business rates, support business improvement districts across Scotland, free up planning restrictions in town centres and increase the use of public procurement to support the local economy. Firms across my areas of Dundee and the wider north-east know all too well the

frustration of watching the Government at work. Incidents such as the administration of McGill and the closure of Michelin production are becoming more frequent in response to the SNP's failings. Moreover, increased public spending and higher economic growth in Scotland have been helped by a significantly larger block grant.

With that harmful record and the damage that it is doing to our wider economic productivity in mind, I repeat that the proposed spending cuts and tax rises are Derek Mackay's choice; they are not a necessity. The SNP's damaging tax proposals have been condemned by respected bodies including the Federation of Small Businesses, the Scottish Lifesciences Association, the Scottish Retail Consortium, the Confederation of British Industry Scotland and the Chartered Institute of Taxation. They argue that income tax could become a major adverse issue for companies that are keen to attract the best talent, that the income tax rises that the SNP proposes would mean that anyone who earned over £26,990 would pay more in tax than they would pay in the rest of the UK and that those who pay the top rates will legitimately rearrange their affairs so that the tax that is paid in Scotland reduces.

The saddest aspect of all of this is that the attack on Scottish income tax is being exacted willingly. Inflicting economic hardship on Scottish workers and risking the Scottish economy is a political choice by Derek Mackay and the SNP. Although the SNP and the Greens might be content to view hard-working Scots as a golden goose, the Conservatives stand up for public services, hard-pressed Scots and their families, fair taxation and supporting Scotland's economy. The SNP has promised much but it has failed to deliver on the economy for more than a decade. It is time that it was held to account for that—and it will be.

16:13

Iain Gray (East Lothian) (Lab): This should be an annual debate of substance: after all, the debate is in many ways the symbol of the maturing of our Parliament. This year is the 20th anniversary of the formation of the Parliament, which was, of course, formed following a referendum that—uniquely in referendums that have been held during my lifetime—brought the country together, rather than splitting it apart. James Kelly was correct: the referendum brought the country together in the belief that the Parliament would strive to make Scotland fairer, not less fair.

The people of Scotland even voted in the referendum for the Parliament to have taxation powers. However, as we all know, the powers, as originally introduced, were flawed and were

therefore never used. There was a correction first by the Calman commission and later through the work of the Smith commission. Those were six weeks of my life and the lives of others here that we will never get back. Much of that time was spent trying to thrash out a scheme for devolution of tax—in particular, income tax—that would maintain a balance between that taxation and the capacity to pool and share resources across the United Kingdom through the Barnett formula.

That negotiation was difficult, but it left Parliament far more powerful than it had been, and the debate should reflect that. Sadly, the debate is rather constrained, for reasons to which John Mason referred. In the run-up to and during today's debate, the loudest voices have been those of the Tories, who seem to be offended by any difference between taxation in Scotland and taxation in the rest of the UK—which makes me wonder what they were arguing for in those weeks on the Smith commission—and those of SNP members, who also seem to be determined to compare their tax plans with those for the rest of the UK.

On some occasions, the SNP argues that it is taxing more in order to appear progressive, and on other occasions, the SNP argues that it is taxing less in order to appear more popular. In each case, everything is seen through the prism of comparison with the neighbours, as John Mason said.

However, that is not what the debate should be about; it should be about the tax that we need to raise, and how we raise it for the responsibilities that we have. It should be about our capacity to respond to our citizens' needs and about the breadth of our vision to invest in our nation's future.

To be fair, I think that Patrick Harvie and the Greens get that. It is clear from the press release that they issued earlier today that they believe that the plans that have been presented today fall well short of that approach. The Greens warn the Scottish Government that

"it cannot afford to"

keep stalling

"on action to reduce inequality and protect public services",
and they complain that

"we have a government reluctant to anger right-wing voices by going further on Income Tax."

I am therefore puzzled as to why, in this evening's vote, the Greens intend to exercise all the political pragmatism of Pontius Pilate by abstaining and allowing a tax plan to which they object to proceed.

Patrick Harvie: I hope that Iain Gray heard in my speech that I acknowledged that the proposals are not perfection. Surely the kind of maturity in a Parliament that he asks for would involve all political parties making positive suggestions for change and trying to achieve something different in budgets. That is what we have done: Parliament would be a lot better if every other party did so, too.

The Deputy Presiding Officer: I will give back Mr Gray's time; he was anxious about that.

Iain Gray: Perhaps Mr Harvie should reflect on the fact that the budget might be better if he was willing to exercise, with us, the leverage that a different vote this evening would give us, which might allow us to do more to address the cuts to public services and the other issues that many members have brought up.

Kate Forbes: Will Iain Gray take an intervention?

Iain Gray: No. I do not have time.

The question for us must be whether the tax plans will provide us with the support that we need for people who are vulnerable. It is clear that they will not. One in four of our children lives in poverty, so how can it be right that anyone who earns up to £124,000 will pay less tax in the coming year than they did this year? That cannot be the right decision to take in such circumstances. A different decision would have allowed us to provide an additional £5 in child benefit and to raise 30,000 children out of poverty.

What about the nation's future? How can it be right to give a tax cut—it is a tax cut—to the wealthiest people in our society? *[Interruption.]* People talk about the UK making a choice about the personal allowance, but the powers that we have allow us to take away that change and to ensure that people who earn more pay more. That is what we should have done, instead of producing a budget that will cut investment in our future, cut funding for our universities, cut funding for our colleges and cut hundreds of millions of pounds from local authorities, which are responsible for funding our schools.

We will not support that abdication of responsibility and lack of ambition for our nation. We will oppose the motion this evening.

16:19

Emma Harper (South Scotland) (SNP): I am pleased to speak in this important debate on the Scottish rate resolution settlement as a member of the Parliament's Finance and Constitution Committee. *[Interruption.]*

The Deputy Presiding Officer: Just a wee minute, Ms Harper. I ask members not to carry on a conversation across the chamber when somebody is speaking.

Emma Harper: I will focus my points on income tax and the uncertainty that Brexit has caused, and is continuing to cause, for businesses and our economy, which are issues that I have analysed as part of my work for the committee.

As members will know, income tax remains a partially devolved tax, with the responsibility for defining the income tax base, including the changing or setting of income tax reliefs and exemptions such as the personal allowance, being reserved to the UK Government. It can choose whatever rate it wants when setting those tax bands. However, the Scotland Act 2016 gave the Scottish Parliament the power to set all income tax rates and the thresholds of bands that apply to the non-savings and non-dividend income of Scottish taxpayers. That—the income tax that is paid to HMRC by Scottish taxpayers—is then given to the Scottish Government. I am pleased that HMRC has committed to ensuring that its database of Scottish taxpayers is kept up to date and regularly checked. I ask the Scottish Government to ensure that that commitment is honoured.

The income tax bands that have been set by the Scottish Government will ensure that middle-earning to lower-earning taxpayers—the majority of nurses, teachers, social workers and healthcare professionals—remain protected. That has been delivered by an inflationary increase in the starter and basic-rate bands, and by there being no changes to tax rates.

I remind members that I am a nurse. The majority of nurses—68 per cent when the matter was last reported on in 2016—are in receipt of a band 5 salary of between £22,128 and £28,746. The rate protection means that they will either be on the proposed Scottish basic 20 per cent tax rate or on the intermediate rate of tax, paying just 21 per cent. Nurses on a starter band 5 rate will pay the lowest tax levels in the UK for a person on that rate of income, which is welcome and fair.

The SNP Government is committed to fairness and equality across all aspects of taxation policy, while raising additional revenue to invest in public services and the economy. I am pleased that the Scottish Government has proposed freezing the higher-rate threshold at £43,000 and freezing the top rate at £150,000. I mention that step because it will allow Scotland to remain an attractive place for business and higher-rate earners, and an attractive place to grow our skilled workforce. That will allow the Scottish economy to continue to grow. That is important especially because, given our increasing ageing population, we need inward

migration—in particular to our national health service, social care and agriculture sectors.

Attracting people to live, work and study in Scotland is crucial for our economy, so I would be wrong not to mention the impact that Brexit is having on the rate settlement and the uncertainty that it has caused for business and the economy. The Finance and Constitution Committee's report on the 2019-20 budget highlights the problems that Brexit has caused for our economy. It states:

"Since November 2016 the OBR's forecasts have reflected provisional broad-brush adjustments to incorporate the possible impact of Brexit. These are 'notably that trade intensity, net inward migration, business investment and productivity growth would be weaker than would otherwise have been the case'"

had the UK voted to remain part of the EU. Indeed, the OBR told the committee that its forecast prior to the referendum showed—assuming a vote to remain in the EU—that the economy would have grown by about 4.5 per cent between the time of the referendum and now. That is staggering. Had the people of the rest of the UK—I say "the rest of the UK", because Scotland voted by 62 per cent to 38 per cent to remain—decided to remain part of the world's most successful union and single market, we would have seen a sharp rise in our economic prosperity.

Instead, business is leaving the UK, consumer confidence is falling and there has been a negative impact on the economy. That reaffirms the need for Scotland to remain part of the customs union and the single market, and the need for us to maintain free movement of people for the interests and benefit of our economy. That is absolutely what we need to support.

In conclusion, I record my support for the Scottish Government's proposed budget for 2019-20 because it will allow Scottish taxpayers on average salaries to remain protected while also remaining the lowest-taxed people in the UK. The budget will also allow Scotland to have some stability, particularly in this time of Brexit uncertainty, and to remain a welcoming and attractive place for businesses, workers and families to come to live, work and study, which is key for our economic success.

16:25

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): The SNP has gone tax crazy, in whatever form the tax comes—income tax, council tax or car parking tax. As we get further into the current session of Parliament, the SNP seems determined to raid the pay packets of hard-working Scots.

Let us get the facts straight first. Promises have been broken. In its 2016 manifesto, the SNP

promised not to increase taxes, but 1 million Scots are now paying more in income tax. The UK block grant has increased by £500 million, yet the cuts keep coming. As ever with this tired and out-of-touch Government, it is pay more, get less.

Almost two thirds of Scots voted for parties that promised not to raise taxes; we were one of those parties. That cannot be said of the SNP now.

Stuart McMillan: Will Rachael Hamilton tell the chamber what the level of UK national debt is, compared with the level in 2010 when the Tories came into power?

Rachael Hamilton: The SNP's voters will no longer support the party after Nicola Sturgeon's broken tax promises. The SNP needs to think about that and to focus on today's rate resolution debate rather than any other issues.

The FSB warned against more taxes in Scotland. Andy Willox said:

"This budget breaks new ground, and ... it must not open the floodgates to a host of Scottish supplements, charges and levies."

Now that the SNP has had to do a back-of-a-fag-packet deal with the Greens, for years it will be impossible to predict when the stream of new taxes will end, and by how much taxes will increase. Let us be clear: these income tax rises will hit hard-working families the most, as well as businesses.

We are not talking about the bankers; we are talking about headteachers, police sergeants and senior nurses. Those people treat our sick, teach our children and keep our communities safe. Neither they nor any hard-working Scot should have to pay more just because they live in Scotland. Anybody who earns more than £26,990 will pay more tax than they would in the rest of the UK. As a representative of the Borders, I am concerned about the impact that the widening tax gap will have on my constituents. I completely disagree with John Mason's earlier intervention about the behavioural change that might happen.

I am glad that Scottish Borders Council was unanimous in its opposition to the tourist tax and car parking tax, given the damage that those would cause in our area. After years of funding cuts, it is rich of the SNP Government to ask councils to increase council tax, tax our tourists and then to charge ordinary working folk to park at their workplace. Although the Borders has come out against a workplace car parking levy, some 250,000 people could be affected by a car parking levy in Glasgow or Edinburgh, for example; many of those people are my constituents who commute from a rural area to work in the cities.

Patrick Harvie: The member is plucking numbers out of the air.

Rachael Hamilton: Patrick Harvie, from a sedentary position, says that the numbers are not out yet. Where are the figures?

Patrick Harvie: The point that the centralising Conservatives do not seem to understand is that the local authorities are being given the power to design a scheme that is right for their area; if they think that it is wrong for that area, they will not do it. What on earth is wrong with enabling councils to make their own choices in their own local contexts?

Rachael Hamilton: That was rather a long intervention. The Conservatives believe in empowering local authorities by devolving financial powers to councils. We support the devolution of measures that will improve accountability and drive local growth. That is important for growing the economy. The member sits there and laughs, but growing rather than shrinking the tax base is important. Surely we should have that as a common goal.

In the Borders, we need to attract more businesses and industries, to create jobs. If the area is to prosper, it needs more highly skilled and highly paid jobs, to attract people to live there.

Given that people can travel over the border to work every day, the tax gap is detrimental to attracting the best. Would a senior teacher in Northumberland, for example, think twice about moving up the career ladder and applying to become a headteacher in Coldstream, when they could stay in the north of England and pay less income tax?

The NHS in the Borders continues to struggle to recruit specialist staff and doctors. Our constituency has a lot to offer, but higher taxes, including land and buildings transaction tax, certainly discourage people from moving. I am concerned about the impact of higher taxes on our ability to draw from the pool of talent that exists across the UK.

The full impact of the tax gap is yet to be realised. It will definitely be more pronounced in the Scottish Borders, where people can travel over the border for work. We know that the Scottish Fiscal Commission has said that Scotland will lose approximately £34 million over the next five years, because of behavioural change. The reality of the widening tax gap will hit hard and Scotland will suffer because of it.

Members on my party's benches cannot support the Scottish rate resolution motion. It is bad news for hard-working Scots and it is bad news for the economy. This Government has broken its promises and Scottish taxpayers will pay the price.

This SNP Government has well and truly made it clear that if a person is aspirational or is climbing

the career ladder, Scotland is not the place for them. This Government has repeatedly failed to grow and develop the Scottish economy. With the SNP, it is always pay more and get less.

16:31

Richard Lyle (Uddingston and Bellshill) (SNP): I express my pleasure at contributing to this debate on our income tax rate and, ultimately, on a holistic view of the resources that are available to the Scottish Government to deliver for the people of Scotland.

Delivering for the people of Scotland is exactly what we are doing. We are doing the day job, as some people would say. This Scottish Government is investing in essential public services, while ensuring that 55 per cent of income taxpayers in Scotland pay less tax than those who earn the same income in the rest of the UK—that is a fact that members on the Opposition benches do not like. As with Brexit, the Conservatives enjoy a political hokey cokey. They are in and then they are out.

Our budget deal will provide additional funding and flexibility of up to £187 million to local authorities next year, including additional funding of £90 million for the local authority core revenue grant. We have also raised the cap on council tax increases by inflation, to 4.79 per cent. That keeps the cap below the 5 per cent cap in the UK and maintains Scotland's place as the lowest-taxed part of the UK.

Elaine Smith: Will the member take an intervention?

Richard Lyle: No. I have no time.

Has anyone checked what is being charged in some English councils? Members should go and check.

The Scottish Government has been encouraging local authorities to take account of household budgets and keep increases at a flat 3 per cent.

Mike Rumbles: Will the member take an intervention?

Richard Lyle: No, I will not.

Local authorities will be able to offset 2.2 per cent of their contribution to adult social services in the coming year, to help them to manage their budgets, while the £160 million of investment from the Scottish Government is protected. That means that if local authorities use their full tax powers, they will have £620 million more in the next financial year.

Let me turn to our hard-working public sector staff, such as our police and NHS workers, who

are paid more and better off as a result of the tax and spending decisions that have been made in Scotland. People in a host of public sector posts in Scotland will earn more than their equivalents elsewhere in the UK after the SNP's tax proposals for 2019-20 take effect, thanks to the higher salaries for public sector workers such as our police and NHS staff.

A hospital porter at the top of band 2 on the NHS pay scale will be £634 a year better off than their English counterpart. A staff nurse at the bottom of band 5 will be £208 better off than their English counterpart. A paramedic on band 6 will be £571 better off than their English counterpart. A police constable at the top of their pay scale will be more than £1,200 better off than their English counterpart.

The Tories would prefer to offer tax breaks to our highest earners. The SNP is committed to creating a more progressive, prosperous and equal society for everyone in Scotland. I agree with that approach.

Mike Rumbles: Will Mr Lyle take an intervention on that very point?

Richard Lyle: No—I had to listen to absolute rubbish from some members, and I want to come back at them with what I believe is the truth.

The Scottish Government is protecting lower and middle-earning taxpayers and making the tax system fairer and more progressive. By taking a different approach from the rest of the UK, the Scottish Government will ensure that the Scottish tax system is more progressive and supports additional investment in our public services. That investment will allow us to continue to deliver spending on the NHS that is increasing beyond the spending on health in other parts of the UK. Businesses are benefiting from our investment in infrastructure, broadband, research and development, business rates support and skills and training. On top of that, our social contract, which includes childcare, personal care and—I draw this to Rachael Hamilton's attention—the absence of tuition and prescription fees, which we abolished, exceeds what is provided elsewhere in the UK and ensures that taxpayers in Scotland have the best deal in the UK. Overall, taxpayers get a better deal from the Scottish Government than they get from other Governments on these islands.

The SNP Government is doing all that while it continues to face austerity measures from Westminster, which have resulted in Scotland's discretionary resource block grant being reduced by 6.5 per cent since 2010—in real terms, it is £2 billion lower than it was then. I wonder where the Tories get their figures from. The real fact is that Scotland's discretionary resource budget

allocation has reduced by 6.5 per cent and is almost £2 billion lower than it was in 2010. Some parties live in a fantasy land, and that really angers me.

Of course, the Tories will point out that, in 2019-20, the discretionary resource block grant is increasing in real terms. However, after we remove the uplift in health funding, we realise that the 2019-20 fiscal resource budget allocation is lower in real terms than it was in 2018-19. Once again, the Tories are fooling no one. Indeed, this year's budget process is set against the backdrop of a Westminster system that is crumbling into further chaos before our eyes. The UK Government is ceasing to function, while the Scottish Government is doing well.

I say to the Cabinet Secretary for Finance, Economy and Fair Work and the excellent Minister for Public Finance and Digital Economy that I think that they have done a good job and continue to do so, and I will continue to support them.

The Deputy Presiding Officer: I call Elaine Smith to close for Labour.

16:37

Elaine Smith (Central Scotland) (Lab): In closing for Labour, I remind the chamber—as Iain Gray did—that it was Labour that delivered the Scottish Parliament more than 20 years ago. I recall that, at the time, the SNP said that Labour could not deliver a pizza, never mind a Parliament. Well, the SNP was wrong, just as it is wrong to propose a rate resolution that will increase wealth inequality in Scotland. We know that the gap between rich and poor continues to increase. The rate resolution is regressive, in that people who earn £43,430 will pay the same level of income tax as those who earn up to three times that amount, and it will leave councils struggling to deliver statutory services and having to cut other essential provision, such as music tuition, swimming pools and libraries.

The council tax rises are, of course, included in the Government's budget presentation, but if Labour councils raise council tax by the 4.8 per cent that Richard Lyle mentioned, in an effort to reduce the cuts, Derek Mackay will undoubtedly say that he recommended that council tax be increased by only 3 per cent. However, if Labour councils increase council tax by only 3 per cent, he will undoubtedly say that his cuts cannot be that bad, given that those councils did not use their full council tax powers. I think that Derek Mackay could and should use his fiscal levers to stop the cuts. Instead, he is forcing councils to make difficult decisions, which he is calling empowerment. Orwell's doublethink and

Newspeak could have been written for Derek Mackay.

Of course, there is still time to change the budget. The SNP could be made to change the budget if the Greens were to take the principled position of voting against the rate resolution at decision time; abstaining on a vote on a regressive taxation proposal is hardly principled.

Kate Forbes: The Labour Party has had the past few months to engage and negotiate on the budget and, potentially, to change it, as the member claims could be done tonight. What would Labour's proposal be for the higher-rate tax?

Elaine Smith: The Labour Party did engage on the budget, as Derek Mackay well knows. James Kelly engaged on it but, unfortunately, Derek Mackay was not listening. We have been consistent in saying that we would reintroduce the 50p top tax rate, which the Tories took away—we are consistent in that. *[Interruption.]* I remind the member that that was also in the SNP manifesto.

When Scotland's first First Minister, the late Donald Dewar, was delivering the Scotland Bill, he pointed to the first sentence,

"There shall be a Scottish Parliament",

and memorably said, "I like that." The point about devolution being a process not an event—and clearly not an end in itself—is also attributed to Donald Dewar, and so it has been. More and more powers have been devolved, making this one of the most powerful devolved Parliaments in the world. Of course, as Iain Gray also noted, the Scottish Parliament started out with tax-varying powers; the second question that was put in the 1997 vote—for those who are old enough to remember it—was about that. We should not forget that it was John Swinney, as finance secretary, who secretly gave up those tax-varying powers in 2007—powers that were specifically and democratically voted for by the people of Scotland.

It certainly was an historic year, in 2017, when the Scottish Parliament regained powers over tax and set the rates and bands for the first time. However, that went off with a whimper rather than a bang, when the new powers were not used fully to stop the cuts and challenge Tory austerity. *[Interruption.]* Perhaps members on the front bench would like to listen to these points.

Last year, the SNP was neither bold nor ambitious in its rate resolution and, once again, we witnessed a cuts budget. Now, here we are again, building on the accumulated cuts.

Derek Mackay: Will the member give way?

Elaine Smith: I do not think that I have time to give way—I have already given way to the minister.

These are tax plans that give a tax cut to the rich and inflict cuts of £230 million on our communities. Labour would ask the richest to pay their fair share and to invest in our public services, but Derek Mackay said no to that—to answer the minister's earlier question.

This resolution also shores up a budget that does nothing to tackle child poverty right here, right now. Labour asked Derek Mackay for £5 per child per week as a top-up to child benefit. Churches, trade unions, poverty academics and charities all agreed that that would make a huge difference. However, when we asked Derek Mackay, again he said no. Despite the rhetoric around the shocking Tory two-child policy and rape clause, when it comes to taking action to mitigate them, once again, Derek Mackay has said no. *[Interruption.]* Yes, indeed, he did—he said no when he was asked to do that. No wonder the public is wondering what the SNP's priorities actually are.

Overall, this has been a predictable debate. The Tories will never want to fairly tax the rich; they prefer to attack the poor with their shocking two-child policy and their utterly discredited universal credit. The Greens talk about fair tax, but tonight they intend to abstain and then justify their support for an SNP budget that cuts local government beyond the bone. Patrick Harvie intervened earlier, but I do not see that the Greens have fully costed his parking at work scheme. Judging by Mike Rumbles's comments earlier, I see that the Liberals are none too keen to fairly tax the rich either.

SNP members in opposition at Westminster call for the reinstatement of the 50p tax rate that George Osborne removed, but here, where they are the Government and have the power, they refuse to tax the rich; instead, they prefer to preside over cuts to jobs and services in local government—services that are needed by the poorest and most vulnerable in society.

Mike Rumbles: Will the member take an intervention?

Elaine Smith: I cannot take an intervention—I am closing.

The SNP argues that Westminster holds all the power, but in reality this Government has the devolved power to change our income tax brackets to ensure a more progressive and fairer tax system, to tackle child poverty immediately and to stop the vicious cuts to local government.

Scottish Labour stands for the many, not the few, and we will not support this timid tax proposal that simply passes on turbo-charged Tory austerity to our councils and sees poverty continue. Cuts to councils are cuts to communities. The SNP's tax policy—and its cuts budget—has been influenced

by the Tories; it has been aided and abetted by the Greens; and it will not be supported by Labour.

16:43

Dean Lockhart (Mid Scotland and Fife) (Con):

I will start with some consensus and agree with something that the finance secretary said during the stage 1 budget debate.

When I asked Derek Mackay how he would deal with massive cuts to public spending in an independent Scotland, he told the chamber that the priority must be to grow the economy—not to increase tax but to grow the economy. For once, I agree with Derek Mackay. I am glad that he has finally come round to our side of the argument and thinks that the only sustainable way to deliver increased public spending in Scotland is by growing the economy, not by increasing the tax burden on hard-working families.

Kate Forbes: Will the member give way?

Dean Lockhart: I will in a second.

However, that is exactly what today's rate resolution does—it increases the tax gap between Scotland and the rest of the UK and it will further damage an already stagnating economy. That is why we will be voting against the rate resolution at decision time.

Kate Forbes: Does the member believe that the Tories' Brexit and immigration policy will help to grow the economy?

Dean Lockhart: It is interesting that the minister runs to Brexit as an excuse for the SNP's failure to grow the economy over the past 11 years. The SNP has had 11 years in which to grow the economy and it has failed miserably.

I will pick up on three of the wide range of issues that have been raised. The first is the growing list of broken promises when it comes to SNP tax policy. Murdo Fraser and Rachael Hamilton reminded everyone that the SNP Government was elected on a clear manifesto promise not to increase the basic rate of income tax. The wording of the SNP's Holyrood manifesto could not have been clearer. It stated:

"We will freeze the Basic Rate of Income Tax throughout the next Parliament to protect those on low and middle incomes."

The Deputy First Minister was even more explicit, when he told the Parliament:

"I want to say to teachers and public service workers ... that the last thing that I am going to do is put up their taxes."—*[Official Report, 3 February 2016; c 19-20.]*

However, here we are with more than 1 million workers in Scotland paying more income tax as a result of that broken manifesto pledge.

The SNP's broken promises do not end there. The SNP Government also promised not to raise the cap on council tax but, thanks to the SNP once again caving in to the Greens, low-income households now face council tax hikes of almost 5 per cent, which could mean an increase in tax bills of £500 a year. Willie Rennie listed a number of other broken promises from the SNP, including on the tourist tax and the plastic bag tax.

Kate Forbes claimed in her opening remarks that the SNP's tax policies are fair and progressive. We also heard the SNP's standard line that the Scottish Conservatives want tax cuts for the rich. However, as always, once we look beyond the SNP spin, we see that the facts tell us something very different. The UK Conservative Government has delivered tax cuts for more than 2.4 million lower-paid workers by increasing the personal tax threshold every year since it was elected.

Tom Arthur: Will Mr Lockhart give way?

Dean Lockhart: I need to make progress.

In contrast, the SNP has increased income tax for middle and low earners. Everyone in Scotland earning more than £27,000 will pay more tax as a result of the SNP broken promise.

The SNP is also introducing the new car parking tax, which could cost up to £500 a year. That is a regressive tax, as it is not based on the ability to pay, and it will hit the lowest earners the hardest. It is no wonder that the people of Scotland are now asking, "Where is the fairness in that?" The SNP Government is out of touch.

Instead of increasing the tax burden on low and middle earners, it is time that the finance secretary realised that the real priority should be to expand the tax base in Scotland. That need to expand the tax base is clearly highlighted by the Scottish Fiscal Commission and the OBR, whose most recent forecasts show that Scotland has pro rata a lower number of higher and additional rate taxpayers than the rest of the UK and that income tax revenues for the UK as a whole are forecast to grow significantly more than income tax receipts in Scotland. Those forecasts paint a grim fiscal outlook and will mean only one thing: less money available for public spending in Scotland.

The answer to that fiscal challenge is not to increase the tax burden on the diminishing tax base in Scotland; the answer is to expand the tax base in Scotland by growing the economy and attracting more higher-paid workers. The Finance and Constitution Committee heard in evidence that attracting an extra 2,000 additional rate taxpayers would give the Scottish Government an extra £100 million annually to spend on public services. That is why the Scottish Chambers of Commerce has told the SNP:

"The sooner our politicians realise that supporting economic growth, rather than hiking up taxes, is the route towards increasing revenues and improving investment in ... services, the quicker Scotland will prosper."

We agree with that.

The final issue that I want to touch on is the size of the Scottish budget. We have again heard from the SNP its standard line that UK funding to Scotland has been cut, but that is simply not the case. According to SPICe and the Fraser of Allander institute, the overall budget from the UK Government is increasing, and not just in this financial year, as the overall budget has increased since the Conservatives came to power in 2010. In fact, the only reason why the tax burden in Scotland has to increase now is because the additional £1 billion in increased funding from the UK Government has been offset by a £500 million decline in tax revenues in Scotland as a result of the SNP's failure to grow the economy. The consequence is that the hard-working people of Scotland will have to pay for the SNP's economic incompetence over the past 11 years. That is not fair or progressive, which is why we will vote against the rate resolution at decision time.

The Deputy Presiding Officer: I call Kate Forbes to close the debate on behalf of the Government. You have until decision time, minister.

16:50

Kate Forbes: If we had been playing budget bingo in the debate we would have had a full house pretty early on, with the usual rhetoric coming from the Opposition parties. The Tories often talk about making this country an attractive place for people to work, live and invest in. I happen to agree whole-heartedly with that, but the irony is that not only have they just made the UK an even less attractive country, they are now actively preventing people from moving here, with their anti-immigration policies. Dean Lockhart rightly talked about expanding the tax base. However, the CBI, the FSB and many others have condemned the Tories' immigration proposals as being catastrophic for the economy, with one organisation saying that the UK Government

"seems hell-bent on ignoring the business community".

Of course, that is consistent with the SFC's analysis, which is clear that Brexit is a key factor in the subdued outlook, as is—and this was the other part of my question to Dean Lockhart—slow population growth, which is being utterly exacerbated by the Tories' failed immigration policies of the past and their current proposals.

When it comes to income tax, the Tories know that there is no appetite for a further £500 million cut to our public services, which their tax policies

would cause. That is not just the analysis of the Scottish Government. Other independent forecasters, including the Fraser of Allander institute, have produced analysis that supports such claims.

Mike Rumbles: Will the minister give way on that point?

Kate Forbes: With pleasure.

Mike Rumbles: I ask the minister to clarify a point of information. The Government has taken the deliberate decision not to raise the threshold for the 41p taxpayers in line with inflation, but will she tell us how many Scottish taxpayers have now been brought into that higher level simply because the Government has not raised the threshold along with inflation?

Kate Forbes: As I made clear in my opening remarks, our commitment in the budget is to have certainty for taxpayers. That is why we have not raised the rates, and why we have frozen the threshold. However, we do want to protect lower-earning and middle-earning taxpayers, which is why we have increased the threshold for them. We value Scotland's unique social contract, which is attractive—and we want to make the country attractive. We have provided, defended and extended core universal services, rights and benefits. For example, we have committed to free tuition; 600 hours of free early learning and childcare, which will increase to more than 1,000 hours; free school meals for all primary 1 to P3 children; free personal care; the abolition of prescription charges; and national concessionary travel schemes for older and disabled people. In this year's budget we have increased spend on colleges' resource budgets, contrary to Iain Gray's accusation. We have also increased the health resource, and the total core funding package for local government is £11.2 billion.

Iain Gray: Will the minister accept, though, that college budgets, resources and capital have been slashed?

Kate Forbes: I will accept—and it is quite clear in this year's budget—that their resource spend has increased, which is why it was incorrect to say that their resource budgets had declined.

Although we will continue to invest in the economy, statistics that have been published today show that it is resilient. We see that unemployment rates for Scotland's women and young people are at record lows. Our youth employment rates are higher than those for the UK, as are our female employment rates. Unemployment in Scotland has fallen to 3.5 per cent—the lowest rate on record—and our employment rate has risen again, to 75.5 per cent. All that has happened in light of fears, as claimed by the CBI in January, that a no-deal Brexit would

cost the Scottish economy £14 billion a year by 2034.

Dean Lockhart rose—

Kate Forbes: Dean Lockhart might want to listen to this first, then I will take his intervention.

The CBI claimed that that was more than the annual public spend on hospitals, general practitioner services and other health services. Will the Tories take the threat of there being no deal off the table? I do not know, but perhaps Dean Lockhart can answer that.

Dean Lockhart: The minister mentioned the labour market statistics that are out today, which show that inactivity levels in Scotland are higher than those in the rest of the UK. Will she explain why they are higher?

Kate Forbes: Unemployment rates are moving in the right direction. As I said on that point in my opening speech, we are not taking our eyes off the ball. We are aware that, if we are facing challenges now, they are only going to be exacerbated over the next few years—indeed, over the next few months—so we will continue to target our investment to support people into work and ensure that we are tackling the key issues of poverty.

After this debate, however, we are none the wiser about Labour's tax policies. Labour members do not know how much tax they would have to raise to fund their additional requests, and the shadow chancellor said a number of months ago that he would not reverse the Tories' tax gift to the rich.

The Lib Dems seemed to claim credit as the architects of the SNP's income tax policy, but they will vote against it tonight, jeopardising £11.5 billion of investment in all the things that they profess to care about. The Lib Dems are the party of apparent localism—until, of course, the SNP tries to devolve powers to local authorities. All parties, incidentally, appear to be localist when it comes to local authority elections—even the Tories. I understand that, at the City of Edinburgh Council in August last year, they voted for the principle of pursuing consent to introduce a workplace parking levy.

I return to the rate resolution that is before us. Our income tax policy is forecast to raise over £11.5 billion to support the best outcomes for Scotland's people and economy. The Opposition, with one exception, would prefer chaos and uncertainty to the certainty of revenue for our precious public services. To put that £11.5 billion in perspective, I note that it is approximately the same amount as the total core funding package for local authorities.

Tonight is our opportunity to use the powers of this Parliament to build a fairer and more prosperous country. Our income tax policy is key to delivering that. We have reversed the UK Government's continued pursuit of budget cuts. Our income tax policy proposals freeze all rates, increase the starter and intermediate rate bands by inflation and freeze the higher and top rate thresholds. That ensures that 55 per cent of Scottish taxpayers will continue to pay less than they would pay if they lived elsewhere in the UK, and Scotland will continue to be the fairest-taxed and the lowest-taxed part of the UK. We will not pass on UK Government tax cuts for higher earners.

Our tax proposals protect those on low incomes and make the tax system fairer and more progressive. They will raise an extra £68 million to invest in public services, tackle poverty and support Scotland's economy.

Murdo Fraser: Does Kate Forbes not accept that the proposed workplace parking levy will be a regressive tax that will hit hardest those who are lowest paid? Is that not the case?

The Deputy Presiding Officer: Before the minister answers, I ask members to keep their chatter down; it is building and I cannot hear the minister.

Kate Forbes: What I do accept is the whole concept of empowering local authorities and ensuring that they have the powers that they need. In conversations with local authorities, they are clear that they want to be able to make local decisions about local assets that serve local interests, and as a Government we are committed to making sure that that includes tax powers as well.

James Kelly: Will the minister take an intervention?

Kate Forbes: I am mindful that I have only a minute and a half left, but the member can go for it.

James Kelly: On a point of clarification, I note from looking at the motion that the higher rate of 41 per cent is set for income from £30,930 up to £150,000. That is not what was proposed in the draft budget, which mentioned £43,430 to £150,000. I just mention that for accuracy.

Kate Forbes: The proposed rates are as in the budget. Apparently it is due to a technicality to be consistent with the legislation.

I go back to the substance of the debate. We will deliver an additional £182 million in revenue against the associated block grant adjustment. Our budget will deliver an NHS that is well funded. Families will have access to free childcare. Students will have access to free tuition. There will

be no prescription fees and we will ensure that our older generation can benefit from free personal care. That is all delivered by sound, certain and evidence-based tax policies. Our income tax proposals in the rate resolution that is before us today, along with the spending plans for 2019-20, will ensure that Scotland is an attractive place to live, work and raise a family.

The Presiding Officer (Ken Macintosh):

Thank you. That concludes the debate on the Scottish rate resolution. Under standing orders, although it is not decision time, we will move straight to the vote on the motion. Before I put the question, I advise members that, under rule 9.16.7, stage 3 proceedings of the Budget (Scotland) (No 3) Bill cannot begin unless the Scottish rate resolution is agreed to.

The question is, that motion S5M-15879, in the name of Derek Mackay, on the Scottish rate resolution, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

For

Adam, George (Paisley) (SNP)
 Adamson, Clare (Motherwell and Wishaw) (SNP)
 Allan, Dr Alasdair (Na h-Eileanan an Iar) (SNP)
 Arthur, Tom (Renfrewshire South) (SNP)
 Beattie, Colin (Midlothian North and Musselburgh) (SNP)
 Brown, Keith (Clackmannanshire and Dunblane) (SNP)
 Campbell, Aileen (Clydesdale) (SNP)
 Coffey, Willie (Kilmarnock and Irvine Valley) (SNP)
 Constance, Angela (Almond Valley) (SNP)
 Crawford, Bruce (Stirling) (SNP)
 Cunningham, Roseanna (Perthshire South and Kinross-shire) (SNP)
 Denham, Ash (Edinburgh Eastern) (SNP)
 Dey, Graeme (Angus South) (SNP)
 Doris, Bob (Glasgow Maryhill and Springburn) (SNP)
 Dornan, James (Glasgow Cathcart) (SNP)
 Ewing, Annabelle (Cowdenbeath) (SNP)
 Ewing, Fergus (Inverness and Nairn) (SNP)
 Fabiani, Linda (East Kilbride) (SNP)
 FitzPatrick, Joe (Dundee City West) (SNP)
 Forbes, Kate (Skye, Lochaber and Badenoch) (SNP)
 Freeman, Jeane (Carrick, Cumnock and Doon Valley) (SNP)
 Gibson, Kenneth (Cunninghame North) (SNP)
 Gilruth, Jenny (Mid Fife and Glenrothes) (SNP)
 Gougeon, Mairi (Angus North and Mearns) (SNP)
 Grahame, Christine (Midlothian South, Tweeddale and Lauderdale) (SNP)
 Harper, Emma (South Scotland) (SNP)
 Haughey, Clare (Rutherglen) (SNP)
 Hepburn, Jamie (Cumbernauld and Kilsyth) (SNP)
 Hyslop, Fiona (Linlithgow) (SNP)
 Kidd, Bill (Glasgow Anniesland) (SNP)
 Lochhead, Richard (Moray) (SNP)
 Lyle, Richard (Uddingston and Bellshill) (SNP)
 MacDonald, Angus (Falkirk East) (SNP)
 MacDonald, Gordon (Edinburgh Pentlands) (SNP)
 MacGregor, Fulton (Coatbridge and Chryston) (SNP)
 Mackay, Derek (Renfrewshire North and West) (SNP)
 MacKay, Rona (Strathkelvin and Bearsden) (SNP)
 Macpherson, Ben (Edinburgh Northern and Leith) (SNP)
 Maguire, Ruth (Cunninghame South) (SNP)

Martin, Gillian (Aberdeenshire East) (SNP)
 Mason, John (Glasgow Shettleston) (SNP)
 Matheson, Michael (Falkirk West) (SNP)
 McAlpine, Joan (South Scotland) (SNP)
 McKee, Ivan (Glasgow Provan) (SNP)
 McKelvie, Christina (Hamilton, Larkhall and Stonehouse) (SNP)
 McMillan, Stuart (Greenock and Inverclyde) (SNP)
 Neil, Alex (Airdrie and Shotts) (SNP)
 Paterson, Gil (Clydebank and Milngavie) (SNP)
 Robison, Shona (Dundee City East) (SNP)
 Ross, Gail (Caithness, Sutherland and Ross) (SNP)
 Russell, Michael (Argyll and Bute) (SNP)
 Somerville, Shirley-Anne (Dunfermline) (SNP)
 Stevenson, Stewart (Banffshire and Buchan Coast) (SNP)
 Stewart, Kevin (Aberdeen Central) (SNP)
 Swinney, John (Perthshire North) (SNP)
 Todd, Maree (Highlands and Islands) (SNP)
 Torrance, David (Kirkcaldy) (SNP)
 Watt, Maureen (Aberdeen South and North Kincardine) (SNP)
 Wheelhouse, Paul (South Scotland) (SNP)
 White, Sandra (Glasgow Kelvin) (SNP)
 Yousaf, Humza (Glasgow Pollok) (SNP)

Against

Baillie, Jackie (Dumbarton) (Lab)
 Baker, Claire (Mid Scotland and Fife) (Lab)
 Balfour, Jeremy (Lothian) (Con)
 Ballantyne, Michelle (South Scotland) (Con)
 Beamish, Claudia (South Scotland) (Lab)
 Bibby, Neil (West Scotland) (Lab)
 Bowman, Bill (North East Scotland) (Con)
 Briggs, Miles (Lothian) (Con)
 Burnett, Alexander (Aberdeenshire West) (Con)
 Cameron, Donald (Highlands and Islands) (Con)
 Carlaw, Jackson (Eastwood) (Con)
 Carson, Finlay (Galloway and West Dumfries) (Con)
 Chapman, Peter (North East Scotland) (Con)
 Cole-Hamilton, Alex (Edinburgh Western) (LD)
 Corry, Maurice (West Scotland) (Con)
 Findlay, Neil (Lothian) (Lab)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Golden, Maurice (West Scotland) (Con)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (East Lothian) (Lab)
 Greene, Jamie (West Scotland) (Con)
 Griffin, Mark (Central Scotland) (Lab)
 Halcro Johnston, Jamie (Highlands and Islands) (Con)
 Hamilton, Rachael (Ettrick, Roxburgh and Berwickshire) (Con)
 Harris, Alison (Central Scotland) (Con)
 Johnson, Daniel (Edinburgh Southern) (Lab)
 Kelly, James (Glasgow) (Lab)
 Kerr, Liam (North East Scotland) (Con)
 Lennon, Monica (Central Scotland) (Lab)
 Leonard, Richard (Central Scotland) (Lab)
 Lindhurst, Gordon (Lothian) (Con)
 Lockhart, Dean (Mid Scotland and Fife) (Con)
 Macdonald, Lewis (North East Scotland) (Lab)
 Mason, Tom (North East Scotland) (Con)
 McArthur, Liam (Orkney Islands) (LD)
 Mitchell, Margaret (Central Scotland) (Con)
 Mountain, Edward (Highlands and Islands) (Con)
 Mundell, Oliver (Dumfriesshire) (Con)
 Rennie, Willie (North East Fife) (LD)
 Rumbles, Mike (North East Scotland) (LD)
 Sarwar, Anas (Glasgow) (Lab)
 Scott, John (Ayr) (Con)
 Scott, Tavish (Shetland Islands) (LD)
 Simpson, Graham (Central Scotland) (Con)
 Smith, Elaine (Central Scotland) (Lab)

Smith, Liz (Mid Scotland and Fife) (Con)
 Smyth, Colin (South Scotland) (Lab)
 Stewart, Alexander (Mid Scotland and Fife) (Con)
 Stewart, David (Highlands and Islands) (Lab)
 Tomkins, Adam (Glasgow) (Con)
 Wells, Annie (Glasgow) (Con)
 Whittle, Brian (South Scotland) (Con)

Abstentions

Finnie, John (Highlands and Islands) (Green)
 Greer, Ross (West Scotland) (Green)
 Harvie, Patrick (Glasgow) (Green)
 Johnstone, Alison (Lothian) (Green)
 Ruskell, Mark (Mid Scotland and Fife) (Green)
 Wightman, Andy (Lothian) (Green)

The Presiding Officer: The result of the division is: For 61, Against 52, Abstentions 6.

Motion agreed to,

That the Parliament agrees that, for the purposes of section 11A of the Income Tax Act 2007 (which provides for income tax to be charged at Scottish rates on certain non-savings and non-dividend income of a Scottish taxpayer), the Scottish rates and limits for the tax year 2019-20 are as follows-

(a) a starter rate of 19%, charged on income up to a limit of £2,049,

(b) the Scottish basic rate is 20%, charged on income above £2,049 and up to a limit of £12,444,

(c) an intermediate rate of 21%, charged on income above £12,444 and up to a limit of £30,930,

(d) a higher rate of 41%, charged on income above £30,930 and up to a limit of £150,000, and

(e) a top rate of 46%, charged on income above £150,000.

The Presiding Officer: As the Scottish rate resolution has been agreed, the Budget (Scotland) (No 3) Bill can proceed to stage 3, which will take place on Thursday.

Social Security Committee Announcement

The Presiding Officer (Ken Macintosh):

Members will recall that the commission on parliamentary reform proposed that time be set aside during plenary meetings for announcements from committees. In that context, I am pleased to call Bob Doris, convener of the Social Security Committee, to make an announcement on the committee's inquiry into social security support for housing.

17:02

Bob Doris (Glasgow Maryhill and Springburn) (SNP): As convener of the Social Security Committee, I announce that we have launched an inquiry into social security support for housing. We want to explore how changes to the social security system are impacting on both tenants and landlords.

It is not just the most vulnerable people in society who can find themselves in difficulty because of the rising gap between housing rents and the amount that is provided by the social security system, but also people who are in work. We know that there are pressures on social housing stock. An area that should be able to ease some of those pressures is the private rented sector. As part of the inquiry, we will look at the extent to which the social security system assists or hinders those who are in need of private rented accommodation in Scotland.

In February last year, the Local Government and Communities Committee explored some of the issues around welfare reform in its "Report on Homelessness". In the report, Shelter said that:

"the roll-out of welfare reforms and universal credit were creating a complicated landscape to navigate".

The Social Security Committee will explore in more detail some of the impacts of those welfare reforms as they relate to housing, including universal credit and the local housing allowance, and how our newly devolved powers can contribute to the discussion.

To inform our views, we are engaging with stakeholders, organisations and people with lived experience to answer five key questions.

How have changes to the local housing allowance impacted on the private rented sector, particularly regarding the affordability of rents for young people?

To what extent have United Kingdom welfare reform measures impacted on private landlords' willingness to let to those who are in receipt of social security benefits?

How does the administration of universal credit housing costs impact on the ability of tenants to pay their rent and landlords to administer rent payments?

How do universal credit Scottish choices and discretionary housing payments impact on the way that landlords and tenants handle universal credit housing costs?

Finally, in relation to those four questions, what improvements could be made to reserved and devolved systems, including the way that they interact with each other?

Our committee would welcome MSPs sharing the details of our inquiry with interested stakeholders, constituents and networks whose input they feel would be valuable, particularly those who have lived experience.

Thank you, Presiding Officer, for the opportunity to address the chamber about this most important inquiry.

Decision Time

The Presiding Officer (Ken Macintosh): There are no decisions to be taken at Decision Time.

St Rollox Railway Works

The Deputy Presiding Officer (Linda Fabiani): The final item of business is a members' business debate on motion S5M-15536, in the name of James Kelly, on the threatened closure of the St Rollox railway works. The debate will be concluded without any question being put.

Motion debated,

That the Parliament regrets the threatened closure of the St Rollox Railway Works, which is known as the Caley, by its new owners, Gemini Rail Services; believes that this places 200 highly-skilled jobs in Springburn at risk; understands that the workers have been served with a statutory notice and that a 45-day consultation period has been initiated; notes that a debate was held on the proposed closure in the UK Parliament, which was led by the MP for Glasgow North East, Paul Sweeney, on 14 January 2019; acknowledges the Unite campaign, Rally Roon the Caley, which is calling for onsite electrification to connect the depot to the Glasgow-Edinburgh rail line; notes the expressions of solidarity that have been sent to the workers at the Caley, and acknowledges the calls for the Scottish Government to do all that it can to secure this site, which has served Scotland's railways since 1856.

17:06

James Kelly (Glasgow) (Lab): It gives me great pleasure to open the debate. I welcome members of Unite the union and the National Union of Rail, Maritime and Transport Workers to the Scottish Parliament chamber this evening. I am delighted that so many of the workforce have made their way from Springburn to support the debate. I know that they have made their views clear outside Parliament and by lobbying MSPs in committee room 4. I pay particular tribute to Unite the union's rally roon the Caley campaign and the successful petition with more than 3,000 signatures, which shows the strength of feeling. I also thank all the MSPs who have supported the motion. I pay particular tribute to the constituency MSP, Bob Doris, who has worked hard on the issue, as well as the local MP, Paul Sweeney, who held a debate on the subject in the House of Commons.

This is a serious members' business debate that comes at a vital time for the workforce, because people's jobs are at threat and the proposal would have an impact on people's lives. It is particularly poignant to look at the history of the Caley works in Springburn, which spans 160 years. Many families have a history and a tradition there. My uncle James White worked there throughout the 1960s, 1970s and 1980s, and my cousin Clare recently recalled on Facebook that many of the families used to go down to the works to see the engines being built and sometimes to crawl under them. That shows the memories and the powerful emotion attached to the subject. Many people in the public gallery carry on those traditions, and I

know that there are people who have worked at the site for more than 30 years. We do not want that experience and expertise in the repair and maintenance of engines to be lost.

We are at a crucial time, because we are now in the period of consultation that was launched by the employers, Gemini, which will close on 4 March. We cannot allow the clock to run down to 4 March while nothing happens. That would be catastrophic not only for the workers in the public gallery but for the local community and the wider economy.

When a factory is threatened by closure, people quite often—and correctly—focus on the economic case for keeping the factory open. In this case, there is a really powerful argument for keeping the Springburn plant open. We have many debates on rail services in this chamber. Although there are some heated disagreements around First ScotRail and Abellio, one thing that we all agree on is the importance of maintaining infrastructure and efficient rolling stock. The Caley works has an important role to play not only in that work but in growing the economic base and contributing to the economy.

The other thing to bear in mind is the importance of the skills within the workforce. That is shown by the January sales figure for the plant of £1.8 million, which is greater than the forecast for the period of £1.6 million. That demonstrates how well and how diligently the workforce performed at a very difficult time, when jobs were under threat. If that figure were to be maintained throughout the year, annual sales would total £21.6 million.

We should in no way be ending the history of the plant, the economic asset or the great skills of the workforce on 4 March. We need action now. That is why, along with Unite and the RMT, I am calling for direct intervention by the Government in this case to look at the option of public ownership. That has been done before, with Prestwick airport, and the economic case is very strong for that to be done at Springburn.

A number of things that would make the site even more viable could be looked at, such as electrification of the line from the site into Glasgow. Currently, when locomotives and engines are retained there it costs £10,000 to move them in and out of the site. Electrification would save that cost. Unite has also pointed to the potential for a transport hub there, bringing ScotRail and Network Rail together.

The Government should, as a minimum, enlist the services of Scottish Enterprise to bring all the agencies together and look at the economic case. It is crucial that we do not go beyond 4 March without any sort of Government intervention, even

if it is done on a temporary basis to allow the work to continue and the essential economic assessment to be carried out. We need action now.

It is great that the workers are in the public gallery this evening. When Michael Matheson responds to the debate, I urge him to speak directly to the workers. They have come here this evening because they want to see some sort of intervention from the Government. There is a big responsibility on Mr Matheson. You are a Falkirk MSP now, but I know that you grew up in Glasgow, in Toryglen, and know the devastation that the loss of these jobs would cause.

Along with the other MSPs in the chamber, I am asking for Government intervention now. Look at the option of public ownership. Act now, before 4 March, so that we can save these jobs and the economic asset that is the Caley works and allow it to continue, not only so that people still have their livelihoods but so that they can continue to make that massive contribution to rail services and the wider Scottish economy.

The Deputy Presiding Officer: I say to those people in the public gallery that it is a delight to have you here but I would appreciate it if you would not clap, boo, jeer or do anything at all. Thank you.

Members should not speak directly to one another but should speak only through the chair. I ask for speeches of four minutes, please.

17:14

Alex Neil (Airdrie and Shotts) (SNP): I congratulate James Kelly on securing the debate, Bob Doris on securing his debate tomorrow night and the two of them collectively on persuading the Parliamentary Bureau, for the first time in 20 years, to have two debates on the same subject on consecutive days. It is well merited in this case because of the importance of the issue. It is not just a Springburn issue or a Glasgow issue; it is a Scottish issue, and it is about the future of our industrial base.

I will first say a word or two about the company that currently owns the facility—Gemini Rail Services, a subsidiary of Mutares, which is based in Munich. I am in no way naturally hostile to foreign companies coming into Scotland to produce work, because that is how the modern world works. However, I object to people being treated with contempt, which is exactly what is happening here and what has happened far too often in Scotland's industrial history.

The facility has been going since 1856—despite the rumours, I was not at the opening ceremony—and, for all those years, it has serviced not just the

market in Scotland but the wider market across the United Kingdom. I have no doubt that, if the facility were to close, the first-class workers there—many of them are first-class engineers—would find no difficulty in getting another job, because they are already being poached by other companies in the west of Scotland and beyond. That is not the fundamental issue.

For the Scottish economy, the fundamental issue is how we can retain capacity in a sector that has a growth future. If the sector was like the diesel cars sector, whose long-term future is highly questionable, we would be in a different situation, but it is not. This engineering repair and maintenance facility has a potential future if we are able to put that future together. It is extremely important that we send out a loud and clear message from across all the parties in the chamber that we, as a Government and as a Parliament, must do everything that we can in the limited time that is left to save the facility—not for yesteryear, although that is important, but for tomorrow's jobs and economy.

The first thing that we must do is get the company to see sense and keep the facility going for at least another three to six months. It has the orders to do it. That would give us time to look at all the options, which are being looked at by the stakeholder group and others, and see which it is possible and practical to move forward. In my view, those options should include the possibility of setting up a dedicated company instead of trying to sell the facility to another company as a branch operation. We should be entrepreneurial and see whether we can create a new dedicated company to take over the capacity, perhaps with funding from the private sector along with the public sector. We should also look in detail at the transport hub idea. Those two ideas are not mutually exclusive.

The message from the debate tonight must be that we should explore every single option urgently and ambitiously, think outside the box and be entrepreneurial. We must do everything that we can not just to save the jobs—although that is critically important—but to save the future of this facility if we can.

17:19

Richard Leonard (Central Scotland) (Lab): I draw members' attention to my register of interests, particularly my membership of the trade union Unite.

I thank James Kelly for bringing this important industrial matter to the Scottish Parliament. It is precisely the kind of issue that the Parliament was established to address: what Michael McGahey

described as the case for a decentralised and devolved Parliament

"in order to involve the people of a country in the operation of power at every possible level."

That is why I am delighted that so many workers who are at the centre of the campaign and in the fight of their lives are here tonight in the gallery.

I am sure that there will be no shortage of speeches that recognise—some might even glorify—the important role that the Caley has played in Scotland's industrial past, but I want to talk about its present and its future. It remains the largest train repair and maintenance site in Scotland. Its loss would mean that we would no longer be able to repair and maintain our railway rolling stock, which we have been able to do since the dawn of the steam age.

Since its privatisation in 1995, the Springburn works has been owned by Babcock International/Siemens, Alstom, RailCare and Knorr-Bremse, which sold it to Mutares. Last year, Mutares formed a new company called Gemini Rail, which is a wholly owned subsidiary that, according to Companies House, was previously known as Knorr-Bremse Railservices UK Limited.

There is something fundamentally wrong with how our economy works when a site can change hands so many times in such a short space of time with little or no say for the workers—the very people whose livelihoods depend on it. In 23 years, the site has been in British ownership, German ownership, French ownership and is now in German ownership again—but it should be in public ownership.

There is something else fundamentally wrong with our economy when the power to decide the future of 200 jobs, to extinguish thousands of years of collective working experience and to close down a critical part of our productive base that has been in place for over 150 years, rests with a new company that has owned the business for only a matter of weeks. It cannot be right that an owner who is just in the door has so much more power than the workforce, which is successfully delivering to budget, meeting targets and generating profits.

I will focus now on the future of the Caley, because there is nothing pre-ordained about what is happening—there is no invisible hand of the market locking the padlock on the factory gates, and no iron law of history determining that the Caley works should close. Indeed, I say this to the cabinet secretary today: we make our own history, so why does he not seize the moral, social and economic imperative that demands action and Government intervention to save the jobs and that vital part of our productive base?

Gemini Rail is bidding for work on the ScotRail class 170 Turbostar contract, which has a value of about £8 million. That represents 40 per cent of the annual turnover of the Caley site. However, if Gemini wins the work, it will be carried out in Milton Keynes. We would therefore have a situation in which we would be transporting railway carriages—no doubt by road—to a site that is some 400 miles away.

The Caley site needs a bit of vision. It needs an innovative Government that has ambition and which is prepared seriously to consider bringing the site back into public ownership as part of a commitment to bringing the whole railway system back into public ownership. That is what the workers deserve, and that is why I am happy to give my full support to their campaign to save their jobs and the Caley site. Let's save the Caley.

17:23

Annie Wells (Glasgow) (Con): I thank James Kelly for bringing the debate to the chamber.

The strength of feeling regarding the issue can easily be shown by the fact that this week there will be two separate members' business debates on the St Rollox railway works—otherwise known as the Caley—and by the large number of RMT and Unite members in the gallery this evening. I apologise to them, because I meant to pop along to see them today but could not get out to do so. However, I am more than happy to meet them later.

The debate is, for me, certainly tinged with many emotions. However, more important, there is great sadness, concern and regret that the historic works are under threat.

I grew up in Springburn and still live there, and the railway has always played an important part in my life. My dad was a guard at the Cowlands depot, and friends, family and neighbours of mine have worked at the Caley. Indeed, the site continues to employ many people who live locally and for whom the railway industry is the only industry they know. They are also extremely passionate about it. With 120 full-time jobs at stake there, and many other jobs linked to agencies at stake, the situation is at a critical point.

The site's historic links cannot be overstated, and they deserve to be highlighted—in particular, with regard to the current situation. At the height of the industrial revolution, the site at Springburn was used by Caledonian Railway, which moved there from Greenock. That gave a major economic boost to the area and kept it in pace with major industry changes that were occurring across the UK.

The site has not failed to keep pace with technological changes over the years, including up to this very day. In recent years, the works have played a key role in overhauling many of ScotRail's class 156 and class 320 trains.

Many livelihoods are at stake and many families in an area that I know well are being affected. The Government should do all that it can to help to secure a future for the vital site.

We have read reports of a meeting on 23 January between the Cabinet Secretary for Transport, Infrastructure and Connectivity, Unite the union and the site owner—Gemini Rail Services UK. That is almost a month ago. The consultation period ends in under two weeks. I would like to think that more discussions involving all interested stakeholders are planned.

I was pleased to hear that the Scottish Government has urged Transport Scotland to accelerate a commission to look at electrification of the depot. Electrification is certainly a viable option for the future of the site, given its geographical location. I, too, support that idea. Can the cabinet secretary provide an update on how the calls to Transport Scotland on potential electrification at the Caley are progressing?

I back the calls that have been made to extend the consultation period in order to allow more time for the depot to be saved. The Caley is not a site that is beyond saving; in fact, it is the exact opposite. That is why it was such a shock when plans were announced to close the much-loved site and why there is such a fight to save it from closure.

I fully believe that the St Rollox railway works have a viable part to play in the economy of Springburn and beyond, and that the closure going ahead would be utterly devastating for the local community.

I hope that the debates in Parliament and the passion that members across the chamber have shown will redouble efforts to find a way forward ahead of the consultation period ending. That is the minimum that the workforce and their families deserve.

17:27

Colin Smyth (South Scotland) (Lab): I refer members to my entry in the register of interests. I am a member of Unite the union.

I thank James Kelly for lodging his motion, which has allowed the debate to take place, and for his campaign work in solidarity with workers at the Caley alongside the Glasgow North East MP, Paul Sweeney, Unite the union and the RMT.

As we heard from members of the RMT and Unite the union on the streets outside Parliament earlier, and from James Kelly, Richard Leonard and other members in the debate, the Labour movement is clear that we cannot and will not allow St Rollox to close. That would be devastating for the hundreds of highly skilled workers at the Caley and their families and communities, and for the long-term future of railway engineering in Scotland. The skills that would be lost might never be recovered. The Scottish Government and the Parliament owe it to the workers at the site, the local communities and the Scottish railway engineering industry to protect that national asset and take every possible measure to stop the closure. That includes the Scottish Government intervening, if necessary, to take over the lease of the site from Hansteen Holdings.

Labour unashamedly supports public control of our railways. That is not a return to a 20th century model of nationalisation; it is a modern, 21st century vision of democratic ownership that puts passengers, not profits, first. It is a vision that recognises that public transport is a public service. If that vision means that where there is market failure in key sites that serve our public transport system, those key sites are brought under public ownership, so be it. That would not be a last resort; it would be an opportunity to develop a publicly owned Scottish railway engineering hub to meet the needs of the Scottish rail sector.

St Rollox is the largest rolling stock repair site in Scotland. If we want Scotland's railways to be maintained, refurbished and repaired in Scotland, we need to save the site. Despite the challenges that it has faced, it is clear that, with work to keep it operational during 2019, the site is financially viable. It has a turnover of more than £20 million a year, but it has been let down by the owner's transfer of posts south of the border and by a lack of vigour about securing contracts, which has left the site to wither on the vine, instead of reaching the potential that we know it has.

That is why every option needs to be explored to secure the site's future and why the site needs support to grow, which includes electrifying the line to the depot. That small investment would have huge benefits, as it would give the site access to a significant market that has been closed off until now and is critical to future proofing the depot. Diesel multiple units now make up just 12 per cent of pipeline rolling stock orders, so electrification is a necessity for the site's future.

Beyond that, we need investment in diversifying the depot to protect existing skills, ensure that it is not overly dependent on one form of work and protect the site against the cyclical nature of project work, which currently plagues the rolling

stock engineering industry. We also need to look again at the impact of the way in which rolling stock is procured and at the impact of design, build and maintain contracts on the location of works and the skill base.

The crisis at Springburn brings home to us all the huge issues that the industry faces. A new strategy to protect those in a skilled workforce who have given their careers to the rail industry is needed now more than ever before.

We have fewer than two weeks to secure the site—to rally round the Caley and save the jobs at Springburn. The depot's closure would be devastating for the workforce and the community, and it would have a lasting impact on the Scottish rail engineering industry. There are alternatives to closure, including taking the site back into public hands, which the Government needs to pursue vigorously. The Government needs to show solidarity with the workers who have come here to give us a strong message today.

17:31

Bob Doris (Glasgow Maryhill and Springburn) (SNP): I welcome the opportunity to speak and I thank the workers from the Caley, which is in my constituency, for coming to the Parliament. I will lead a second debate on the same theme tomorrow evening, when I will have more time to expand my comments and go into much more detail.

Gemini, which is the owner of St Rollox, does not appear to have acted in good faith. It put off engaging with Scottish Government agencies and it stunned employees in Springburn by announcing before Christmas its intention to close the site. I raised the matter at First Minister's question time and visited St Rollox to meet workers.

I asked the First Minister to establish a stakeholder group that would save jobs and save the site for the future. That group will meet for a third time on Thursday. Gemini's interaction with the group has lacked imagination and flexibility. When I met Gemini in December, it emerged that its order book would run until June 2019. That meant that any statutory process for redundancies—which we did not want anyway—did not need to commence until April this year.

I urged Gemini not to commence the redundancy process early and instead to use the time to consider alternative plans, but Gemini ignored that request, and needless notices were served to workers in January. That showed a lack of good will and of good faith. I make a plea to Gemini again to halt the process—it is not required.

I am concerned about Gemini not proactively seeking work and about it lacking enthusiasm and commitment when it seeks orders for its order book. I informed Gemini that the owner of the St Rollox site would be interested in thinking imaginatively to reduce the cost base and work collaboratively with Gemini or whoever occupied the site. It took me to contact the owner and push that forward; Gemini had not explored that option, which is a dereliction of duty.

At the stakeholder meeting, Unite and I raised the prospect of electrification of the line at St Rollox to further reduce business costs and potentially open the site up significantly to a greater range of work. The Scottish Government is actively exploring that. Efforts to find a solution and save jobs continue, but Gemini appears ambivalent at best. I hope that Gemini will take exception to my painting of it as inflexible, unimaginative, unambitious and lacking in good will. I say to it: "Please take exception, but prove me wrong and step in to save these jobs."

In 2018, St Rollox made a gross profit but a marginal net loss—a tiny loss against its £20 million turnover—when overheads were applied. Gemini then allocated central costs of £1.16 million. We are not sure why. Gemini urgently needs to disaggregate those costs, so that we can better understand the numbers. That will improve the prospect of attracting public or private sector investment.

I mentioned work that Gemini could bid for. Gemini has asserted that even if it won that work, it may still seek to close the site. That is an astounding and short-sighted position—in fact, it is unacceptable.

Gemini appears to have made no effort to explore how it could expand or contract operations at Springburn based on a changing order book. Could Gemini limit redundancies, maintain operations and expand in the future? Of course it could. Is it trying to do that? No, it is not.

We have heard that there could be up to 100 jobs at Wabtec Rail Scotland in Kilmarnock for those who might be made redundant in Springburn. We do not want there to be redundancies. The Wabtec offer could be welcome as part of a planned contraction at Springburn where key skills are retained at the site, so that there can be further expansion, but that is not happening. Where Gemini has not shown vision, we must.

Unite has asked for the Scottish public sector to explore taking over the site and to consider the issue under the Transfer of Undertakings (Protection of Employment) Regulations. That request must be considered. I will say more tomorrow about how Unite believes that there

could be a viable order book for St Rollox from around December 2019, and I will explore the prospect of securing a railway hub at Springburn for generations to come.

On those two suggestions, I have one key point: the Scottish public sector must have strategic control over the St Rollox site. At the very least, that requires a long-term agreement between the public sector and the owners of the site, not Gemini. If the site is to be invested in as part of the strategic infrastructure of Scotland's railways, we must have strategic control over it. I urge the cabinet secretary to comment on that.

I look forward to exploring some of the issues in more detail tomorrow, including the potential for a workers' buyout. In the meantime, I appeal to Gemini to come to the table in a meaningful way to discuss various ideas, and for its parent company Mutares to be more hands-on in doing the right thing by a workforce that is working on a site that has been around since 1856.

I remain absolutely committed to rallying round the Caley and will return to these issues during tomorrow's debate.

17:37

John Finnie (Highlands and Islands) (Green):

It is customary to congratulate the member who has done so on securing a debate, but I do not suppose that James Kelly would want me to congratulate him in this case. However, I congratulate the combined work of James Kelly, Bob Doris and Paul Sweeney and, most of all, of the RMT and Unite in dealing with the issue.

At this stage of the debate, most of the issues have been mentioned. I will touch on Richard Leonard's point about the succession of private companies that have been at the site following privatisation in 1995. The obligation that has been placed on each and every one of the companies that have taken over has been to maximise profit for their shareholders, and many of them will have had but minimal regard for the workforce. Alex Neil entirely appropriately used the word "contempt". There is no contempt from the Scottish Green Party—we will lend our unequivocal support to any group of workers who are in such a situation.

I will talk about the broader rail situation and how fragmented the rail industry is across the UK. We have the track and infrastructure, the franchises, the freight-train operators and the rolling stock, which is primarily owned by the rolling-stock leasing companies. Rail enjoys significant public subsidies, but there are a lot of folk to get their cut.

The role of the St Rollox premises is important not only to the immediate communities. As others

have said, it is a national asset. It is certainly the Scottish Green Party's view—others here share it—that rail, including the infrastructure and support services of which engineering is an important part, should be in public ownership, and should be run exclusively in the public interest. We would start by removing the franchise from Abellio ScotRail. Would that sort out everything? No, it certainly would not, but it would mean that strategic direction could be given.

We know that staff at the works have in recent years been focused on rolling stock and component refurbishments. I am grateful for the letter from Mick Cash, who is the general secretary of the RMT, in which he mentions the format of contracts—they are to design, build and maintain—and commends the approach of taking an integrated rolling-stock strategy. That needs to be considered seriously. The fragmentation and lack of a single direction that operates exclusively in the public interest result in many problems.

The Caley is the largest rolling-stock repair site in Scotland; there are two other smaller ones. I will not repeat all the figures, which are clear for everyone to see, but I will say that there are very clear opportunities. We know that new rolling stock is coming in that will demand less repairs and maintenance, but inspecting, repairing and replacing are also integral parts of the system.

As has been touched on, 88 per cent of rolling stock will be electric. I welcome the expansion of electrification and appreciate all that will be said about control periods, but if a collaborative approach is to be taken, we will need to ensure electrification of all depots. It is ridiculous even to say that: it should be a given.

We heard about a £1 billion road today. The costs are insignificant for the benefits that can be accrued. I am aware that the white-collar operations have moved to Milton Keynes. I am very supportive of consideration of other innovative approaches, including a transport hub.

We support the devolution of network rail and want a publicly run rail network, but the nature of rail is such that there will co-operation across these small islands. However, Scotland will—I quote from the Westminster debate—be at

“a huge strategic disadvantage in maintaining its own rolling stock, depending on railway maintenance facilities in other parts of the UK”—[*Official Report, House of Commons*, 14 January 2019; Vol 652, c 984.]

Prestwick has been mentioned: I would like to give two examples from my area, where public sector involvement in transport can be for wider public benefit. They are Caledonian MacBrayne and Highlands and Islands Airports Limited.

There are comparators. I am not impressed with the idea of the entrepreneurial. I just want the

Scottish Government to do what is in the interest of the Scottish people, which is to maintain the Caley site.

17:41

Elaine Smith (Central Scotland) (Lab): I am a member of Unite and convener of the RMT's parliamentary group. I welcome members of both unions and Paul Sweeney MP here tonight. As others have done, I thank James Kelly for bringing the debate to the chamber and will make a short contribution in support of that. I also thank Bob Doris for his motion, which will be debated tomorrow evening.

As others have said, the Caley site in Springburn is the biggest depot of its kind in Scotland and is essential to the servicing and supporting of Scotland's railways. The importance of and expertise in the services at the Caley were recognised when the site was sold onto Mutares only last year: at that time its chief executive officer said:

“RailServices ... hold a unique market position in the UK, providing excellent expert services and know-how for the railway industry. Both companies have strong growth potential and are an ideal match for our ongoing operations.”

Therefore, it is shocking that only six months later the staff are on statutory notice. The site had already suffered a reduction in staffing levels over the years and, disappointingly, was not given assistance by the Government in 2013, when former owner Railcare was placed in administration. Now we know that more than 200 highly experienced staff face an uncertain future. Unfortunately, the Government does not appear see the situation as urgent. I will explain why I say that.

In October, when it was highlighted that the lease was up for renewal, I lodged questions regarding the future of the Springburn site. I was advised four weeks later that

“Officials from Transport Scotland have made contact with Gemini Rail Services UK Ltd, the division of Mutares who have taken over Knorr Bremse RailServices and will be meeting representatives soon to discuss the future of the Springburn site, its staff and its workload”.—[*Written Answers*, 22 November 2018; S5W-19637]

Considering that the transport secretary had already been made aware of the situation directly by the staff and their trade unions, it is surprising that no meetings took place earlier.

The busy site has an unrivalled and excellent work record, and it has the largest capacity in Scotland to service orders and has invested in key specialist equipment. Given the amount of public money that the Government is happy to invest in Abellio ScotRail, it is concerning that the potential

loss of such a major support site is not high on its agenda. Two debates on the matter are taking place this week, so I hope that it is now on its agenda. I am sure that we will hear about that from the minister in his summing up.

We are all too aware of the constant disruption to passengers as trains seem to break down weekly and, more often than not, toilet services are out of use. I can only imagine the difficulties that will be caused if the future repair and maintenance is to take place more than 300 miles away and cannot be completed at the Caley. I support James Kelly in his call for Government intervention and public ownership.

The general secretary of the RMT, Mick Cash, said:

"The planned closure of the Springburn Rail Depot in Glasgow is an act of industrial vandalism".

Every effort must be made to ensure that our Scottish railways are supported by the expertise and knowledge that are readily available at the Caley. This Parliament and Government must make a stand against that unjustified, costly and short-sighted act of industrial vandalism. Public ownership is the way forward. I again thank James Kelly for bringing this important debate to Parliament.

17:45

The Cabinet Secretary for Transport, Infrastructure and Connectivity (Michael Matheson): I congratulate James Kelly on securing time for the debate. I am conscious that this is one of two debates this week on the Caley and the future of the facility. I am also conscious that I need to put on record my thanks to the local member, Bob Doris, who has been diligent in pursuing the matter on behalf of his constituents and the site, which is in his constituency. He has pursued the matter with vigour and I respect his commitment to achieving the best outcome for his constituents and the site's future use.

Given that we are having two debates on the matter, in tonight's debate I will emphasise the importance that we attach to the rail industry in Scotland. The Scottish Government's investment in rail is at an unprecedented level, and we are ensuring that we make the right type of investment in our rail services. For example, over the past four years, as part of our support for the ScotRail franchise, some £475 million has been invested in new and refurbished rolling stock. Some £36 million of that has been invested at the site in Springburn for the purposes of refurbishment work.

Alongside our wider work within the industry—whether we are talking about the Caledonian Sleeper or the new Hitachi trains that are being

introduced—the refurbishment of our rolling stock has been taking place at Wabtec Rail Scotland in Kilmarnock, Brodie Engineering's facilities in Kilmarnock and Alstom's Polmadie traction and rolling stock maintenance depot as well as at the Springburn site. A range of depots have therefore been used for the refurbishment work that has been undertaken in Scotland. There has also been investment by Hitachi in the Craighentenny site, in relation to maintenance of particular rolling stock.

There is no doubt that the investment has benefited passengers and has helped to sustain and support employment. We want that to continue.

I think that the contribution that the sector makes to our economy has historically been underrecognised. I do not think that it has been properly recognised that the sector is able to sustain investment over an extended period. Too often, companies find themselves with or without work, depending on leasing arrangements and how the rolling stock operators take forward their investment programmes.

A significant number of people are employed in the sector in Scotland. It is estimated that in the region of 1,200 workers are directly involved in the maintenance and presentation of train fleets on a daily basis, which is a significant workforce across the country. Those are skilled jobs that we will continue to require if we are to sustain and improve our public transport network.

Let me share with members my view on how underrecognised the sector has been over an extended period. It is estimated that the gross value added of the rail industry's supply chain is in the region of £668 million per year and that the industry sustains some 13,000 people in employment.

As I mentioned, the sector is important and is one that we want to grow, which is why we have sought to attract, and have been successful in attracting, Talgo of Spain to look at using the Longannet site to develop a new site for train manufacturing in Scotland, which could create up to 1,000 jobs.

That is why it is disappointing that Gemini Rail has taken the approach that it has taken with the workshops in Springburn. Despite repeated direct requests to postpone or delay the consultation exercise, it has refused to do so. It is therefore important that we continue to work to provide additional time for the matter to be considered in greater detail. I again call on Gemini Rail to delay any decisions relating to the site to allow us to undertake further work on the issue.

James Kelly: I appreciate the overview of the rail industry that the cabinet secretary has provided, but, in relation to the consultation that is

under way, can he set out what specific steps the Government intends to take to stop Gemini Rail handing out redundancy notices after 4 March? I think that is what the workers in the public gallery want to hear.

Michael Matheson: I am coming to that point.

Some of the things that Labour members have said about the level of engagement are not accurate. I assure members that, as soon as there was an indication that there were concerns about the site, Transport Scotland officials engaged with the company and Scottish Enterprise to look at the issues. Since reaching the point at which concerns have been raised about Gemini Rail's decision on the future use of the St Rollox site, Transport Scotland and Scottish Enterprise officials have been engaged in the process, as have I.

Elaine Smith: Will the cabinet secretary give way?

Michael Matheson: I need to make progress. There is another debate on the subject tomorrow night, in which the member can raise her issue, if she chooses to.

We have been working with the sector to identify whether we can change Gemini Rail's mind or look at repurposing the site in a way that gives it a sustainable future. That is where the hub idea for the industry comes in—it involves considering how we could use the site for heavy rail and heavy engineering work in the future. Through Scottish Enterprise and Transport Scotland, we have been giving focus to that work. We want to utilise the site sustainably in the future to support the rail industry in Scotland on heavy engineering matters.

In order to do that, we must take a number of actions. One such action that has been suggested is the electrification of the line into the works. Mr Kelly was misguided when he said that he would like me to consider doing something about that, because we are already doing something about that. The work to evaluate whether electrification of the line into the site would support its continued use for heavy rail purposes has already been commissioned. Network Rail has been directly commissioned to undertake that work. That decision was made last month in an effort to make progress on the issue.

Annie Wells raised the same issue, but the proposed electrification cannot happen at the drop of a hat. A detailed piece of work must be undertaken on the electrification of what could be about 4 miles of line into the depot to make it suitable for any other company coming in. It will take time to do that work, which is why we need to work with Gemini Rail and others in the industry to provide more time to allow the site to be preserved.

The repurposing of the site is critical in that regard. I will go through a number of the steps that we are taking. Scottish Enterprise is engaging with the whole of the rail sector in Scotland to look at how it might utilise the site if we were to move to a hub model in the future. As part of that process, there has been engagement with the site owner. Gemini Rail does not own the site; Hansteen Holdings owns the site, which it leases out. The present leasing arrangements do not appear attractive to other potential operators, so Hansteen is working with Scottish Enterprise to consider how it could change the leasing arrangements and the existing site arrangements to make the site more attractive for others in the industry to use. That work is being undertaken, and we expect to get a report from Hansteen in the next couple of weeks, setting out how other companies could be supported and encouraged to come to the site.

Alongside that, Scottish Enterprise is working with all those in the rail industry in Scotland to see how they could come together to utilise the site if it moved to a hub model. That work is being undertaken formally with a partnership right across the industry, and it will continue to be undertaken in order to achieve a sustainable future for the site.

I am conscious of the time. A number of points have been raised, and I will try to address them in tomorrow night's debate, given that we will have a second opportunity to look at the matter then.

I assure all members and the workers in the public gallery that, as a Government, we are doing everything within our powers to make sure that the site will continue to be utilised for heavy rail purposes in the future and that we will continue to work with all those in the industry to realise that in the weeks and months ahead.

Meeting closed at 17:55.

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