Official Report
Aithisg Oifigeil

DRAFT

Transport Committee

Comataidh na Còmhdhail

Wednesday 30 September 2026

Session 7

The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website—
www.parliament.scot or by contacting Public Information on 0131 348 5000

Wednesday 30 September 2026

CONTENTS

	Col.
CIVIL AVIATION (CONSUMER PROTECTION AND REGULATORY REFORM) BILL	1
PROCUREMENT	8

TRANSPORT COMMITTEE
7th Meeting 2026, Session 7

CONVENER

*Willie Rennie (Fife North East) (LD)

DEPUTY CONVENER

*Lloyd Melville (Angus South) (SNP)

COMMITTEE MEMBERS

*Iris Duane (Glasgow) (Green)
*Zen Ghani (Glasgow Cathcart and Pollok) (SNP)
*Donald MacKinnon (Na h-Eileanan an Iar) (Lab)
*Graham Simpson (Central Scotland and Lothians West) (Reform)
*Collette Stevenson (East Kilbride) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Flynn (Cabinet Secretary for Economy, Tourism and Transport)
Alison Irvine (Transport Scotland)
David Macdonald (Civil Engineering Contractors Association Scotland)
John MacIntyre (Transport Scotland)
Lawrence Shackman (Transport Scotland)
Chris Wilcock (Transport Scotland)

LOCATION

The Alexander Fleming Room (CR3)

Scottish Parliament

Transport Committee

Wednesday 30 September 2026

[The Convener opened the meeting at 09:16]

Civil Aviation (Consumer Protection and Regulatory Reform) Bill

The Convener (Willie Rennie): Good morning, and welcome to the seventh meeting in 2026 of the Transport Committee. We have received no apologies this morning.

The first item on our agenda is consideration of a legislative consent memorandum and a supplementary legislative consent memorandum for the Civil Aviation (Consumer Protection and Regulatory Reform) Bill, which is United Kingdom legislation.

I welcome back to the committee Stephen Flynn, the Cabinet Secretary for Economy, Tourism and Transport. He is supported by Rohan Leslie, who is a solicitor with the Scottish Government, and Terry Shevlin, who is from the aviation team at Transport Scotland.

I invite the cabinet secretary to make some brief remarks.

The Cabinet Secretary for Economy, Tourism and Transport (Stephen Flynn): I welcome the opportunity to speak about the legislative consent memorandum and supplementary legislative consent memorandum for the UK Government's Civil Aviation (Consumer Protection and Regulatory Reform) Bill.

First, I acknowledge that the original LCM was lodged after the Parliament's standing orders deadline. The bill, as introduced, contained only reserved provisions. However, a non-Government amendment, agreed on 13 July in the House of Lords, introduced a provision with devolved implications. Once it became clear that the provision had devolved implications, my officials engaged at pace with the UK Government to assess those implications and prepare the memorandum.

The bill was introduced in the House of Lords on 14 May 2026. The UK Government notes that the bill modernises the UK's aviation frameworks, strengthens passenger protections and updates regulatory powers following Brexit.

The provision that requires legislative consent is clause 7. It requires the UK secretary of state to conduct and publish a review of the impact of airport drop-off charges on users of airport services across the UK within six months of the day on which the bill receives royal assent.

The Scottish and UK Governments agree that the provision falls within the legislative competence of the Scottish Parliament. The UK Government has advised that the review would need to examine the impact of airport drop-off charges, including their effects on travellers, accessibility, affordability and connectivity. The review will also consider the reasons why airports use those charges and their wider impacts on public transport support and infrastructure funding.

I am committed to working with the UK Government to ensure that Scottish circumstances and the interests of Scottish airports are properly taken into account. It is worth stressing that the amendment requires only that a review be undertaken and published; any recommendation would not be binding on the Scottish or UK Government. However, we will, of course, consider the outcome of the review, to identify whether there are any implications for Scotland.

We already know that there is some variation in practice across Scotland's airports. The Scottish Government's position has consistently been that the operation of drop-off areas at commercial airports and the associated charges are matters for airport owners and operators. I therefore welcome the review and see merit in Scotland's airports being included.

The Scottish Government recommends that the Scottish Parliament give consent to clause 7 of the bill.

I am happy to answer any questions that members may have.

The Convener: Thank you, cabinet secretary.

I apologise to Ronan, whom I called Rohan earlier—I got that wrong.

Cabinet secretary, although the LCM is very strict and quite dry, we want to talk about the substance of some of the issues. We have some questions to gather your thoughts on them.

Zen Ghani (Glasgow Cathcart and Pollok) (SNP): I thank the cabinet secretary and his officials for coming. Do you feel that there should be exemptions from parking charges for disabled passengers?

Stephen Flynn: Are you talking about the charges that they face at airports?

Zen Ghani: Yes.

Stephen Flynn: As with all parking charges, that is a matter for the airports, because they are commercial entities.

The Convener: If you were in discussion with the airports, would you say that it would be sensible for them to have concessions for drop-offs because there are already challenges in that area?

Stephen Flynn: That would be a reasonable discussion to open up with the airports. As members will be aware, there are four airports in Scotland that charge for drop-offs—Edinburgh, Glasgow, Aberdeen and Prestwick—although the fares differ slightly and the drop-off times differ quite significantly, too. I am sure that the airports would be happy to have a discussion about that, but I cannot speak for them in relation to their commercial responsibilities.

Graham Simpson (Central Scotland and Lothians West) (Reform): You said that there is a variety of drop-off charges, which there is. For Edinburgh airport, it is £8.50 for 10 minutes. For Glasgow and Aberdeen airports, it is £7 for 15 minutes. Edinburgh airport increased its charges in the past few months. I know that we are talking about private commercial decisions, but what is your sense of the level of those charges? Are they too high?

Stephen Flynn: Everyone who drops someone off at the airport will be frustrated by the costs that they incur. However, ultimately, it is for airport operators to outline their reasons for making such decisions and the commercial interests that underpin them. Although I might hold a view that is very similar to the views of every member of the public, it is for the airports to determine what they do or do not do in relation to their charging.

Graham Simpson: Is there a risk that airports charging a certain amount will push drivers elsewhere, so there will be parking problems near airports or people sitting in their cars, waiting to go? That is not just a risk; we can all see that when we go to airports. You must have seen that, as you are a frequent airport user. Is there an issue with potential congestion if the charges reach a certain level?

Stephen Flynn: If you are in Glasgow, you have the opportunity to get the bus to the airport for £2, and I encourage people to take up that fantastic offer, which the Scottish Government has put on the table.

I am at risk of repeating myself, but it is for the airports to make a reasonable assessment of their charges for people to park on land at their facilities. Your question might be better directed towards the owner-operators of Aberdeen, Glasgow, Edinburgh and Prestwick airports.

Graham Simpson: We might do that.

Stephen Flynn: I am sure that you will.

Graham Simpson: In relation to the LCM, the UK Government secretary of state might have to conduct a review within six months. Would you want to be involved in that review at a Scottish level?

Stephen Flynn: It is for the UK Parliament to determine, at committee stage, whether it will progress with the non-Government amendment in the House of Lords. From my experience of being in Westminster, it is relatively unusual for the Government to take forward an Opposition amendment. As I understand it, the nature of the amendment concerning the review probably derives from the fact that amendments in the House of Commons and the House of Lords cannot have a monetary value associated with them, unless they are associated with a money resolution. I imagine that that is why a review is on the table. It is for the UK Parliament and the UK Government to determine whether to accept the amendment. The UK Government has indicated that it will, which is why we are having this discussion. It is important that the Scottish Parliament is engaged in that process, as the Scottish Government is, because there is an expectation of that among the public in Scotland. That is why I am sitting before you today, encouraging you to agree with us that the legislative consent motion be agreed to in the way that we have outlined.

Donald MacKinnon (Na h-Eileanan an Iar) (Lab): Thank you, cabinet secretary, for being here today. I want to touch on Highlands and Islands Airports Ltd, which the Government does have some involvement in. You are right to point out that it does not charge drop-off fees; however, it does have parking charges. I understand that, at Inverness airport, parking is free for the first 15 minutes, while at some of the other airports—Stornoway, for example—it is free for the first two hours and then there are charges. First, do you foresee any implications for HIAL and its operations as a result of the legislation that is the subject of the LCM in front of us? Secondly, have you had any discussions with HIAL about its approach going forward?

Stephen Flynn: There are no direct implications, because we are talking about a review and there is nothing in that review that will bind the hands of either the UK or the Scottish Government in that regard. Obviously, my officials will engage with HIAL, should the UK Government seek to proceed further on this, and at that point we will assess any implications of the review. However, I would be very surprised if a review caused any direct implications for HIAL or, indeed, any other airport in Scotland.

The Convener: Cabinet secretary, it would be remiss of me if I did not talk about Alexander

Dennis just for a few short minutes. When you appeared before the committee earlier this month, you were quite firm that you wanted to be transparent and open with us. Perhaps I can quote just a few of your words. You said:

"we must be as open as we possibly can be with parliamentarians … Having been a member of the United Kingdom Parliament … I was sometimes incredibly frustrated with a lack of clarity from Government."—[*Official Report, Transport Committee*, 9 September 2026; c 5.]

You then went on in a similar vein. Why did you not tell us about Alexander Dennis when you were before the committee earlier this month?

Stephen Flynn: At the first available opportunity, when I was asked the question by Stephen Kerr, I responded accordingly. I also addressed the matter just yesterday at a meeting of the Economy, Tourism and Energy Committee, under the convenership of Mr Massey, who I think is still seeking to determine whether something is a subsidy or a procurement matter. I am sure that we will not get into that particular debate, though, given your own lengthy experience in Parliament. I will also give a statement in the chamber later this afternoon, when members will be able to probe me further on those points.

If it is okay, convener, I would like to reiterate very briefly that the Government wants to see ADL be successful. That is why we have worked very closely with the company over many years, why we were very keen to support its research and development approach and why we came to the table with a furlough proposition. Ultimately, the company did not meet the furlough requirements with regard to both bus operation and the retention of staff. I did not think—and I do not think; indeed, I would be very surprised if any parliamentarian did think this—that the Government should have been handing out furlough on that basis. I responded to the first direct question that I was asked on the issue, and I will be before Parliament this afternoon to answer very many more.

The Convener: You really should not have to wait for questions to be asked before you can be transparent, because the fact is that we do not know what we do not know. I would hope that, in the future, you would be a bit more proactive and seek to be transparent with the committee.

Stephen Flynn: Convener, there was no attempt on my part to not be transparent in that regard. I outlined to you, I hope, at the previous committee meeting, that I might have been overly transparent in respect of certain issues.

I would like to reassure you that the Government takes our commitment to Alexander Dennis, and to bus manufacturing in Scotland, incredibly seriously. That is why we have sought to work very closely with the company over many years, and it is why we will continue to do so. My officials can maintain regular dialogue with it; indeed, the First Minister, too, met the company just a matter of weeks ago, at the end of August. However, we need to ensure that, where Government money is being spent, that happens in a fashion that meets the public's expectations.

The Convener: I realise that I am asking a question about process, which is of less importance than the future of the company itself. I do appreciate your words, and I hope that we will be able to get answers to any future questions in that area. In what is a very competitive bus manufacturing environment, the company will need every possible bit of support—confined by the rules, of course—and I hope that more funding will be forthcoming, if possible, to ensure that it can do the research and development that will allow it to get into new markets.

I think that the company concedes that it did not keep all the jobs that it was supposed to keep, but it was hoping that it would get a proportion of the funding. You have judged that that is not possible, but it now has a financial hole that it needs to fill, and that could mean sacrifices within the company and have an impact on how much it can invest. I hope that you will be able to assist on that front and find other avenues to invest in the company.

09:30

Stephen Flynn: In response to those remarks, convener, I assure you that my officials and the Government remain fully committed to continuing dialogue with the company for the reasons that I have set out. The company was fully aware of the conditions associated with furlough, and the decisions that it made as a commercial entity will have been made in full knowledge of those conditions. It is for the company, as a commercial enterprise, to respond accordingly, and I am sure that you will agree that that is the appropriate course of action for the Government to take.

The Convener: But you do take my central point that, irrespective of all that, we have to ensure that Alexander Dennis succeeds.

Stephen Flynn: That is why the First Minister met Alexander Dennis a few weeks ago, and it is why I and my officials remain in regular contact with the company. We want it to be successful for Scotland. That is incredibly important for people in the local communities, and it is why we have put nearly £30 million-worth of research and development funding into the company through Scottish Enterprise in recent years.

Bus manufacturing is a very competitive market, and we need to do what we can to support the company. I am confident that we have done a lot over recent years, and, if there are further things

that we can do, we will engage on that basis. I am quite happy to take any suggestions from you or members of the committee in that regard.

The Convener: Thank you for tolerating questions on that front, which were not strictly on the subject that we were discussing this morning. Finally, I would just like you to reflect on how proactive you are about releasing information. We have already gone over that issue, though, and we will not do so again.

Unless members have any other questions, I think that we have concluded this item. I will briefly suspend the meeting, to allow a changeover of witnesses.

09:32

Meeting suspended.

09:34

On resuming—

Procurement

The Convener: The second agenda item is an evidence session on public procurement as it relates to transport policy. We are grateful to our witnesses. Our first panel is from Transport Scotland, and I am pleased to welcome Alison Irvine, who is the chief executive; John MacIntyre, who is the head of procurement and contracts; Lawrence Shackman, who is the director of infrastructure projects; and Chris Wilcock, who is the director of ferries. Welcome back, Chris, and thank you all for coming. We will try to keep the questions and answers as short as possible. We will start with questions from Lloyd Melville.

Lloyd Melville (Angus South) (SNP): I will start with Alison Irvine, if that is all right. Rail infrastructure projects take an awfully long time—too long—to come to fruition in Scotland. Do you agree with that assessment?

Alison Irvine (Transport Scotland): From the perspective of how long infrastructure projects take to come into delivery, I have heard people say that transport infrastructure projects in general take too long, and rail is no different from that. In fact, rail is particularly complex because of the need to integrate decisions on train and track, which is not always as simple as people might expect.

Lloyd Melville: I ask because there are absolute no-brainer projects such as Winchburgh station, which was first mooted in a master plan in 2005, but, 21 years later, is no further forward. When the Cabinet Secretary for Economy, Tourism and Transport was before the committee recently, he said that advice to ministers on Winchburgh was due “imminently”. Advice is imminent 21 years after the project was first mooted, but that still does not mean that shovels are in the ground. What is your assessment of what needs to be done to pick up the pace on such projects?

Alison Irvine: The example that you have given is one where there is a relationship between land use planning and the infrastructure needed to support the planning decisions.

The Winchburgh station project started out essentially as a planning condition for the developer to bring forward. If you have been there, you will have seen that the houses around Winchburgh are now going up, and the Government has made a commitment to support establishment of the station. I think that it was Jenny Gilruth, when she was Minister for Transport, who made the commitment that, once the station was built, ScotRail would provide

services to it. That comes at a cost and already represents an investment. We are now at the stage when the location of the station has to be looked at and decided on, because the position that the developers had initially envisaged turned out not to be feasible due to the importance of the track that it is on.

Those might seem like, to use your word, "no-brainer" decisions, but there is complexity around where accountability sits, where the responsibility for it lies and how to ensure that track is integrated with train, all of which build into the mix.

Lloyd Melville: I am sorry to cut in, Alison, but my specific question was on what needs to be done to pick up the pace for future rail infrastructure projects.

Alison Irvine: The advice that we have to get to ministers is on how best to satisfy the commitment that they have made in their manifesto and to support, in an appropriate way, the extensive development that is going on in that space. That does not just involve Transport Scotland, Network Rail and ScotRail; it involves the developer, the council—in the case of Winchburgh, it is West Lothian Council—and so on. Those conversations take place, and our job is to get the advice to ministers so that they can take a view on it.

Lloyd Melville: John MacIntyre, as head of procurement, do you feel that particular procurement policies need to be simplified to speed up the process of rail development in Scotland?

John MacIntyre (Transport Scotland): Transport Scotland is a delivery arm, in essence, so we do not really have a say on updates or amendments to legislation; we simply use the procurement rules that are there. For rail development, a lot of the work is taken forward by Scottish Rail Holdings, which is bound by the utility regulations. The majority of Transport Scotland's regulated procurement is done under the Public Contracts (Scotland) Regulations 2015. The utility regulations are slightly different, but they cover broadly the same areas.

Lloyd Melville: That is your bread and butter in terms of procurement. Have you a view on where the barriers are? Have you an appeal to make to ministers about how to simplify the process to make your job easier?

Alison Irvine: Can I interject? The situation that you are describing is not a procurement issue. It is a decision about where accountability sits, who is responsible for a project, who is going to fund it and who is going to deliver it.

Lloyd Melville: The 2026 date was dropped from references to the Aberdeen to central belt improvements last year. When will those be completed?

Alison Irvine: The Aberdeen to central belt improvements are partly tied up with the rail recharge policy that was published in the past 12 months, which links our planned fleet investment with the necessary infrastructure to support that fleet for intercity trips.

We expect Network Rail and Scottish Rail Holdings to come to us in the coming months with a revised business case for what I will describe at this point in time as the next element of that work, and then we will provide advice to ministers.

Lloyd Melville: At this stage, you do not have an indicative timescale as to when the full suite of works will be completed.

Alison Irvine: I do not have that information in front of me. We have not taken a decision on it. We are working with Network Rail, ScotRail and Scottish Rail Holdings on the business case that will support those decisions.

Lloyd Melville: It is quite a move from saying 2026 to now having no definite timescale. Do you accept that?

Alison Irvine: I accept that it is a move from 2026 to where we are currently, but that typifies the statement that I made at the start about the complexity of integrating matters involving the rail network.

Lloyd Melville: That brings me neatly to my next point. As you will be aware, public service reform is under way across Scotland and, as part of that, Transport Scotland will formally be brought back within the Scottish Government. Considering all the issues that we have discussed, will there be opportunities to simplify the process and ensure that rail projects can be delivered faster for communities across Scotland?

Alison Irvine: What you describe presents an opportunity to design a governance system for transport that works for the people of Scotland, and we are part of that mix. You will be aware of the rail reform legislation that is going through Westminster, which will also bring about huge changes and should drive benefits associated with improving the integration between track and train, simplifying decision making and so on.

Our industry works with the pace and the resources that we have available to us. I think that I said this to you, Mr Rennie, when you came to meet us over summer. One of the joys of the transport system is that people really like it, and they really like it when it works, and they always want to have more of that. That is great as an ambition. Part of our role is to help ministers manage those levels of ambition and expectations

and then align them with policy. That is often a difficult job. That is not to do with any process associated with Transport Scotland or one relating to Network Rail or ScotRail; it is just about getting the right balance.

Graham Simpson: To follow up on what Lloyd Melville asked, I have a quick question about Winchburgh, if you do not mind. I accept that this is not a procurement issue for you, but it has been raised this morning. Ministers have committed to delivering on the project, but there does not seem to be a budget for it yet. Do you know whether any money has been identified?

09:45

Alison Irvine: As I said, ministers, as part of their manifesto, have committed to support Winchburgh rail station. My job is to give them advice, which includes consideration of the necessary budget to support whatever role ministers choose to play in that particular project. As you know, it is early days in the budget process: it is back at the stage of looking at how much money is needed in the system. All those things are in the mix.

Graham Simpson: We will wait to see how the budget process plays out, then.

Next, I want to ask about ports and ferries, starting with Ardrossan. Where are we with Ardrossan? The Scottish Government has bought the port, has it not?

Alison Irvine: Caledonian Maritime Assets Ltd purchased the port in March this year and has done some work to improve it. It is due to close imminently for a few weeks while more substantive work is under way. I will bring in Chris Wilcock to give an overview of where we are on the improvement programme and the task force, if that is okay.

Graham Simpson: That would be helpful.

Chris Wilcock (Transport Scotland): The port is shut just now for those more substantive works. As Alison has outlined, CMAL has been doing a lot of initial upgrades, some of them cosmetic and others operational, to improve the port's appearance and resilience while we continue to operate there.

CMAL is also working on the future plans for the port. The task force will meet in the coming weeks—next month, I think—to outline those next steps. The aim is to go out to tender for the works next summer, with a view to being on site by the end of the year. Much of that will be determined by the scope of the works, and that is very much what CMAL is looking at just now.

Clearly, we are committed to the original works, such as upgrading the Arran berth, terminals and other elements there, but the scope is also about looking at the wider work that needs to be done, given the condition of the port and how we might want to operate from there in the future. The final costs and the detail of that will be known only once we have been through that scoping exercise, but CMAL is very much working on that and engaging with communities along with Transport Scotland and CalMac.

Graham Simpson: As a punter who occasionally gets on ferries—I was on the ferry earlier this year to go to Arran—I can see what a mess Ardrossan is and that quite extensive work needs to be done to it. Is there a ballpark figure yet?

Chris Wilcock: We are certainly expecting it to cost more than £100 million. We are developing other ports just now, such as Port Ellen, and the price of such projects is substantial. I cannot give you an exact figure for where we will be until we get that scoping work done. As I have said, there are wider considerations around how fully we will bring the port into operation and what will be needed to deliver a resilient service to Arran.

As a starting point, we are very much focused on the aspects that were part of the earlier plan, but we are also exploring what else needs to be done, the overall affordability and whether everything could be done in one project or some things would need to wait.

Graham Simpson: The port will have to close for quite a period, will it not? It could be one and a half or two years.

Chris Wilcock: The current proposal is to close the port for that period of time. That is absolutely the most efficient way for the companies to develop the port. We will be able to set out all that once we know the scope.

Graham Simpson: You said that the work would potentially cost more than £100 million. Is that affordable?

Chris Wilcock: I go back to Alison Irvine's point about our having to fit that into the overall budget process. Costs are significantly higher in the marine world than we might have hoped for at earlier stages in the project—we have seen that with other projects as well. We will need to work through the budget process to decide how we can afford that process or that full project again, depending on the full scope of those works. The affordability might inform that scope as well.

Graham Simpson: Sticking with CMAL for the moment, I want to ask about the normal process by which it procures ferries and ports. Let us say that, for a ferry, it goes out to market, invites bids,

accepts a bid and then agrees a price. Then what happens? How does CMAL pay for it?

Chris Wilcock: For ferries, that is funded via a voted loan, which is a loan from the Scottish Government to CMAL that is repaid over a period—usually a 25-year period for vessels. The loan is made up of the capital cost of the vessel, which will include an allowance for bringing the vessel into service and the site supervision, and then a small annual allowance on top of that for CMAL's running costs as the vessel owner, as well as an allowance for owners' upgrades. As is normal, a vessel owner that is chartering has to provide that funding to the charterer. The vessels are then chartered to CalMac or NorthLink. The overall pot of funding, or the costs over 30 years, generate a charter rate that is paid for by the operator and that therefore forms part of the overall subsidy to run the services.

Graham Simpson: So CMAL does not have a budget for buying ferries; it has to come to you to get a loan.

Chris Wilcock: Yes. It is funded through loans from the Scottish Government, which leave our budget. That is budgeted for as capital from the Scottish Government. We discuss closely with CMAL the requirement for the next five years, and that feeds into the budget process.

Graham Simpson: Do you agree, five years in advance, how much CMAL is allowed to spend on ferries?

Chris Wilcock: We have the islands connectivity plan, which sets out the ambition to replace vessels over the short, medium and longer terms. Given the budget planning process, we obviously focus on that earlier phase. As I said, we have conversations with CMAL not only about what is happening this year and next, but what we need to do over five years. As I am sure you know, a vessel project takes around five years from the initial thinking up to the point when the vessel is delivered. That is why we need to plan on that basis. That is a rolling piece, as we go through the year.

Graham Simpson: Do you charge interest on the loans?

Chris Wilcock: Yes, interest is charged on the loans. I am sure that it is the Public Works Loan Board rate.

Graham Simpson: What is the rate at the moment?

Chris Wilcock: That, I could not tell you.

Graham Simpson: Right.

I will now ask about the potential direct award. Actually, I think that that question is in two bits, because there is a potential direct award for a couple of vessels to replace the marine research vessel Scotia and the marine protection vessel Minna, and then there are the two ferries. I think that those are separate, and I will explain why.

I will take the ferries first. Back in 2023-24, in the Auditor General's report on the audit of Ferguson Marine, he wrote about the yard's five-year business plan. As you will remember, the business plan was based on the yard getting a direct award of the small vessel replacement programme from the Scottish Government, but that actually went out to tender and the yard did not get the award. In his audit report, the Auditor General said that there was

"legal advice that a direct award would be in breach of the conditions set out in the UK Subsidy Control Act".

CMAL has publicly stated that the direct award of any contract for shipbuilding is not lawful. After the delays in the small vessel replacement programme and the Lord of the Isles replacement because of the consideration of direct award, has anything actually changed to make it legal?

Alison Irvine: For a direct award of a ferries contract to be lawful, two things need to happen. First, there needs to be consideration of the subsidy that would be associated with it and a referral to the Competition and Markets Authority. As you will have heard Mr Flynn say in the Parliament on several occasions, that involves complex technical work that brings into play legal, financial and commercial specialisms. A team in the Scottish Government is working on that aspect.

The second thing that needs to happen is that what are known as Teckal rules must be complied with in relation to the relevant body, which, in this case, would be CMAL.

We have a role in the whole process, in establishing the business case for the procurement of the ferries. We are working with CMAL on that, and we expect a decision on the overall construct of phase 2 of the small vessel replacement programme to be made in the coming months, if not weeks. We also need to consider the governance arrangements and do the necessary due diligence to establish Teckal compliance for CMAL, in a similar way as we did for CalMac when the direct award of the Clyde and Hebrides ferry service 3—or CHFS3—contract was made at this time last year. There are multiple parts to the picture.

Graham Simpson: As things stand, would it be legal to make a direct award?

Alison Irvine: As things stand, work is progressing on the subsidy assessment and on Teckal compliance.

Graham Simpson: I understand that. I have heard what you have said—I know that the work is progressing—but could you make a direct award today?

Alison Irvine: We would not be in a position to make a direct award for the vessels today.

Graham Simpson: The governance arrangements need to be changed in order to make a direct award legal.

Alison Irvine: That is part of the mix.

Graham Simpson: You said that you are doing some work. Are you doing the work that is needed in order to make a direct award legal?

Alison Irvine: Yes.

Graham Simpson: Today, a direct award would not be legal, but you want to get to a point at which it would be legal.

Alison Irvine: That is the cabinet secretary's stated ambition.

Graham Simpson: How long do you think that will take?

Alison Irvine: We are working with CMAL to change its status from a public corporation to a non-departmental public body, so governance changes are being made. The additional work relating to the intricacies of the way in which our ferries bodies exist and of their status is ongoing. For the Government, the key aspect is the principles assessment.

Graham Simpson: That does not answer my question. How long do you think the work will take?

Alison Irvine: In our world, we always have a plan for the work that needs to happen, but, in my experience, there can be what I will call showstoppers—things that you might not have expected that can have implications for how long a piece of work will take. I do not think that it would be wise or, indeed, appropriate for me to say how long the work will take or to give you a date. I recognise that you want one, but if I were to say to you that, at this point in time, I would be comfortable that we would be ready—

Graham Simpson: You do not have to give me a month, but you could say that it will take roughly six months or up to a year.

Alison Irvine: I think that it will probably take a maximum of six months.

Graham Simpson: Is that a maximum of six months from now?

Alison Irvine: For the Teckal compliance, which is our aspect of the work.

Graham Simpson: I have another question, but do you want to come in, convener?

Alison Irvine: It could be sooner. It depends on how complex the work is.

Graham Simpson: I get that.

The Convener: Does changing CMAL's status from a public corporation to an NDPB require legislation?

Alison Irvine: No.

The Convener: Therefore, you can do that. Is that sufficiently close to the Government to comply with the Teckal arrangements?

Chris Wilcock: That is part of the consideration process. The move to non-departmental public body status is part of the process of the Office for National Statistics reclassifying bodies—I am sure that you are well aware of that—and that is as a result of the direct award to CalMac.

10:00

CalMac has also been reclassified as an NDPB. That happened earlier this year, and we have a derogation to treat it as a public corporation until the end of this financial year. We are working through all those elements and absolutely looking to see whether, in parallel, they take us either some or all of the way there.

On Mr Simpson's point on timing, it is worth reflecting on the fact that a lot of this work can be done in parallel. When we were doing the direct award to CalMac of the CHFS3 contract, that work was being done and it was made Teckal compliant very close in the lead-up to that. We just need certainty that there is a clear path to all that. That is the work that we are doing just now.

Graham Simpson: Let us say that we arrive at the point where CMAL can legally make a direct award. What would you do if CMAL—it is the experts in this—say, "Actually, we don't want to make a direct award to Ferguson's. We think we'll get better value and better delivery times by putting the contract out to the market"? It has done that in other circumstances. Would you have to order it to make a direct award?

Alison Irvine: I hope that we would avoid that circumstance. CMAL's concerns relate to the current position, and we need to provide it with an assurance that ministers, as the procuring authority, have a lawful basis to move forward with a direct award. It is a bit like the Teckal compliance work in that we are having those conversations with CMAL.

Graham Simpson: It would not be unrealistic for CMAL to say, "Look, hang on a sec. We've been through this with Ferguson's. It didn't deliver the two large ferries on time, it was way over budget, and its recent track record is not good. We

think it would be better to test the market and see what else is out there." That would not be an unreasonable position for CMAL to take, would it? If it says that that is what it should do because it will get better value for money that way, would you stop it from doing that?

Alison Irvine: Ultimately, CMAL is a body that is owned by the Scottish ministers, and, ultimately, it is for the Scottish ministers to consider the advice that they get from CMAL and the island communities—from the voices that we hear from up there—as well as Ferguson's and the yard in order to reach a decision on the appropriate route. That is why they are ministers; they get to make these big decisions, based on the advice that we and CMAL give them and they get from others—thankfully.

Graham Simpson: Has CMAL expressed a view on whether there should be a direct award?

Alison Irvine: From the way that you have been asking your questions, I understood that you had heard directly from CMAL on that.

Graham Simpson: I have not said any such thing. I am asking whether it has expressed a view to the Government.

Alison Irvine: CMAL has regular conversations with us and with Mr Flynn, as they had with Ms Hyslop before him. As you would expect, there is a free and frank exchange of views on all things.

Graham Simpson: So it has expressed a view.

Alison Irvine: On all things, Mr Simpson.

Graham Simpson: It has expressed a view.

Alison Irvine: On all things.

Graham Simpson: Are you able to share what that view is?

Alison Irvine: Again, that is all part of the mix of the advice to ministers, so I think that we are probably better to leave it in that space.

Graham Simpson: Okay. I think that we can read into that.

Those questions were all about the ferries. Are the two marine vessels in a different category? Could you make a direct award for them now?

Alison Irvine: They do not fall under our remit, so it would not be me or Chris Wilcock who would answer those questions. It is the marine directorate in the Government that is procuring them. The Teckal compliance issue is not the same.

Graham Simpson: It is not the same, so, actually, you could.

Alison Irvine: No—

Graham Simpson: It still comes under the Government, does it not?

Alison Irvine: Yes. That is what I am saying. For the marine vessels, the Teckal compliance issue is not a thing, but the subsidy control and the principles assessment remain key.

Graham Simpson: In the case of those two vessels, it sounds to me like you could actually proceed.

Alison Irvine: I think that I have given you all that I know. I am really sorry, Mr Simpson.

Graham Simpson: Does anyone know the answer to that?

Chris Wilcock: As Alison Irvine alluded to, and as you said earlier, there are two packages in terms of who would procure them and how they could be procured—

Graham Simpson: Yes.

Chris Wilcock: —but those vessels cannot be procured yet. The position on legality needs the principles assessment, which relates to the subsidy control. You described the two halves, the second part of which is the principles assessment, and they are all wrapped up in the same piece of advice.

For completeness, I note that, as the cabinet secretary said, the upgrades at the yard are again all wrapped up in the process of the principles assessment and the CMA referral. My understanding is that those vessels need to wait until that process is complete.

Graham Simpson: Okay. It seems to me that that element could proceed more quickly than the ferries, but none of you is able to answer that question. That is not very good, but I will leave it there.

Donald MacKinnon: I have a couple of follow-up questions given some of the evidence that we have heard. They pick up on the discussion about the ports and the comments that Chris Wilcock made, but I am happy for anybody to answer them.

First, I am interested in the scale of the works that are required at Ardrossan and how that picture is changing. I appreciate that there is a moving picture on how much needs to happens there. As I understand it, the works to the Arran berth are a priority, but there are also options for the Irish berth and the wider port infrastructure. How will decisions on what works will be carried out at Ardrossan affect the wider programme of port improvements?

I am particularly interested in the plans at Gasay and Lochboisdale, which are also linked to the procurement of the replacement Lord of the Isles. I am interested in the balance between the pipeline

of vessel procurement and the associated port infrastructure that will need to be in place when the vessels come into service.

Is there anything that you would like to add on that balance and the sequencing? What implications will investment in ports such as Ardrossan have on the pipeline and the plans for, for example, Gasay?

Chris Wilcock: I reiterate that, as you say, the process in Ardrossan is still a moving picture. I alluded to some other ports where, in the past, the final costs have been significantly higher for a variety of reasons including market changes. If your question is about whether that has come at the expense of other port projects that have had to be delayed, the situation is a bit more nuanced than that. We would go back to ministers and look at the overall budget. Transport Scotland has a much larger budget than the ferries element alone, although that is substantial, and we would look at the matter in the round. There would not necessarily be a trade-off

To give a recent example, Port Ellen came in at £108 million, which was a higher figure than we anticipated. Does that mean that something else in the ferries programme has to stop or be slowed down? That is not something that we have had to do, and I would not envisage that necessarily being the case, particularly in relation to the two ports that you mentioned—Ardrossan and Gasay. Ministers are still very much committed to those projects, which are much needed given the age and life expectancy of Lochboisdale.

I do not necessarily see there being a trade-off, but we will need to understand the costs of both projects. CMAL is still working through the final designs for Gasay, and the cost will be a factor.

You mentioned LOTI. That procurement process is still ongoing. We still anticipate CMAL getting the tender returns in November, I think, and the contract being awarded by the end of the financial year. We are still on course with where we hope to be on that.

Donald MacKinnon: I will pursue a point of clarity on the future status of CMAL. You touched on the move from it being a private company owned by the Scottish ministers to being an NDPB. I understand that that is still under review. Will that shift to an NDPB allow for the direct award? Is that the structure that would allow for that?

Alison Irvine: As Chris Wilcock outlined, it will take us some of the way but we might need to make other changes to the governance to ensure that we have the required oversight of CMAL.

Donald MacKinnon: So do you not know at the moment whether that is the structure?

Alison Irvine: The answer is that we are working through it rather than that we do not know.

Donald MacKinnon: Okay. What is your feeling at the moment? Do you think that further work will be required?

Alison Irvine: Most likely.

Donald MacKinnon: So the NDPB is probably not the final structure.

Alison Irvine: It is part of the way.

Donald MacKinnon: Part of the way—so further work would be required.

That links importantly to the timescale, which we heard would be six months maximum. That will be the crucial thing for what the yard and Ferguson's anticipate and, importantly, for the island communities that are waiting for the vessels. The last time that you were at the committee, Chris Wilcock, we talked about the situation with the Sound of Harris ferry—the Loch Portain—and the urgency with which vessels are in need of replacement. We cannot lose sight of that in this process, too.

Thank you for that clarity—I have no further questions.

The Convener: If you go beyond NDPB status, would that require legislation?

Alison Irvine: No.

The Convener: You can still do it, so why do you not go the whole way?

Alison Irvine: That is, in effect, what we plan on doing.

The Convener: Going beyond NDPB status?

Alison Irvine: Yes.

The Convener: What would that status be? What is the technical status?

Alison Irvine: CMAL would still be an NDPB. I apologise if I have overly complicated the matter, but it has moved from being a public corporation to an NDPB because of the funding position and the requirement against the Office for National Statistics classification. The further adjustments to the governance that we would need to make CMAL Teckal compliant are part of that overall work stream.

The Convener: And that would not require legislation.

Alison Irvine: No, it does not require legislation.

The Convener: Thank you very much for answering those questions.

I will move on to the Scottish zero emission bus challenge fund 3—ScotZEB3. I know that we

cannot talk about the legal issues around the appeal to the Competition Appeal Tribunal from McGill's Buses, but I want to talk about the consequences for the successful bidders. It has been indicated to them that they can carry on with their work. It will come to a point at which they will have to commit their own finance, and it is in the order of £118 million to match the £45 million from the ScotZEB3 funding. It will come to a point at which they have to press the button and they are nervous, so what confidence can you give them that the money will definitely be forthcoming no matter what happens?

Alison Irvine: I am trying to walk a fine line here because it would be inappropriate for me to talk about live court proceedings, Mr Rennie. The issue that you have highlighted is real and we are in close discussion about it with the other parties to the legal action and those who were successful through the bid. We will have to work through that.

The final thing that I would say on the matter is that the organisations that were successful through that bid are commercial entities in themselves and have to take their own decisions. It would not be appropriate for me to speak on their behalf.

The Convener: I do not think that that is enough.

Alison Irvine: It is a difficult position for us all.

The Convener: I understand that, but that implies that there is a doubt over the £45 million.

Alison Irvine: As I said, it is a difficult position for us all and I need to be really careful about commenting on live legal proceedings.

The Convener: But I am not asking you to comment on the live proceedings. I am asking you to comment on the confidence that you have that the £45 million will be committed, no matter what happens.

Alison Irvine: As I said, it is a matter that affects us all. There are different decisions that different entities will take. We are in the middle of live court proceedings, and I do not think that it is appropriate—

10:15

The Convener: But that does not stop you from committing the £45 million no matter what happens. So, win or lose, is the £45 million on the table? Will it remain?

Alison Irvine: The challenge that is currently in front of the Supreme Court is about the lawful basis on which that subsidy was pushed forward. Whichever side is successful in that, there are consequences for the other side. Again, I do not think it would be appropriate for me, or indeed ministers, to give the level of confidence that you are seeking, here and now, today.

The Convener: But it is not just that one side or the other loses; the Government can make a decision about that money being guaranteed no matter what happens.

Alison Irvine: The Government has to act with a sound lawful basis.

The Convener: Yes, of course—I am not suggesting otherwise. I am saying that, if I was a bus company—if I was Ember, Stagecoach, Rock Road, Lothian Buses or First—I would now be worried. I would think, "I'm going to wait and see," and that would delay the whole project. If it delays the whole project, that slows down the decarbonisation of the bus network, so the consequences are significant.

I think, therefore, that you need to provide the companies with more confidence. Whether it comes from you or from ministers, there needs to be more confidence that the £45 million is guaranteed no matter what happens, otherwise everything slows down.

Alison Irvine: As I said, we are in the middle of live legal proceedings. Ministers have to act on a lawful basis. Ministers have been quite clear on their support for the bus sector in general, but I do not think that it is appropriate for me to go as far as you might want to go today.

The Convener: Okay. I think that the bus companies need that confidence, and I would hope that you would reflect on that in your discussions with ministers.

Alison Irvine: We engage with the bus companies on a fairly regular basis, so we are alive to that.

The Convener: I want to talk about the cost of infrastructure in the UK and, as part of that, in Scotland. On average, the UK pays 65 per cent more per unit of infrastructure than comparable countries. That translates to £8.3 billion a year being wasted due to spending failing to deliver equivalent infrastructure. We invest more and we get less back. Why do you think that is?

Alison Irvine: Can you tell me where you are getting your statistics from?

The Convener: That is from a report that was produced by the Centre for British Progress.

Alison Irvine: It is not necessarily one that I am familiar with.

The Convener: Do you recognise the point that it is more expensive to do business here?

Alison Irvine: I recognise the general point, but I am not familiar with the figures that you have quoted.

The Convener: Why do you think that it is the case?

Alison Irvine: There are probably a number of broad reasons, which you will no doubt want to delve into.

First, there is the size and scale of the construction market, in particular in Scotland, along with the lack of population density and the extent of remote and rural areas here. With regard to the scale of our transport budget, we are roughly 8 to 10 per cent of the English transport budget, so we are a smaller market. That is a factor.

You will no doubt have read the same things that I have read about the amount of work involved on things like business cases and impact assessments and all the various necessary consents that we need to get in order to take forward an infrastructure project. You will no doubt have views on that, but I do not doubt that that plays into the general mix.

There is also the overall general health and appetite of the economy, how good Scotland is as a place to do business and the general skills that are available. All those things play into it. Perhaps Lawrence Shackman has more to add.

Lawrence Shackman (Transport Scotland): We have quite exacting health and safety standards in our construction industry, and, as a result, we have a very good record compared with countries that take a lesser stance on that sort of thing. We certainly care very much for our environment, so there are constraints to ensure that the disruption to the environment through our projects is minimised, and we use mitigations as much as possible, whether it is for animals, the landscape or the people who we are potentially affecting by our construction projects. We try to make sure that impacts are minimised.

There are a lot of factors to consider, and, as Alison mentioned, we have quite an urban population compared with a lot of other countries across Europe, so there can be a lot of impacts on the environment and people. We have to ensure that we bring all those factors on board in our projects, which comes at a cost. We have more to pay for a good product, but, at the end of the day, we get a safer and higher standard of output.

The Convener: You have talked about the size and the scale of the construction market, and you will be aware of what the Civil Engineering Contractors Association Scotland has said. It was pretty scathing. I know that the contract has now changed, but CECA said:

> "The bespoke TS contract used to procure road projects is regarded as a dated, unattractive anomaly by the market. As a result, TS is regarded by CECA members across the UK as the worst client to work for in the UK."

I understand that you have changed the contract, but why did you ever allow it to get so outdated?

Alison Irvine: Lawrence Shackman and I both gave evidence to the Citizen Participation and Public Petitions Committee on that matter.

The Convener: Apologies, but I did not follow that. [*Laughter.*]

Alison Irvine: Did you not? The committee produced a very good report that, I think, sets out the position fairly.

The Convener: Please summarise it for me.

Alison Irvine: I would point you to it as a good read.

The Convener: For the benefit of everybody else, give us a few sentences on it.

Alison Irvine: Our contracts have always reflected the market as we have found it at the time. We had a particular issue around 2021 or 2022 with the Tomatin to Moy contract for the A9, when we were all just coming out of Covid and, speaking candidly, we were not in tune enough with the construction sector.

I would prefer to talk about the position that we are currently in, as you would imagine.

The Convener: I know that you would, but I am quite keen to go back.

Alison Irvine: Yes, I am sure that you are.

I would point to the committee's report as showing that, actually, we have done a lot of good work. David Macdonald from CECA is here to speak to you after we have gone, and we have done a lot of good work with CECA and the construction industry. We have completely and utterly transformed our contracts, and we have ensured that we have the right balance of risk between parties. We have done our utmost, and, so far, we have been successful in attracting good competition to the A9 contracts. All of that helps us.

The Convener: I appreciate that, and I appreciate your setting it out.

My wider question is on your ability to detect changes in the market and the sector. It got to a crisis point at which you had no viable bidders for the Tomatin to Moy section of the A9 because you had loaded so much risk on to the contractor instead of the Government. You therefore had to go back, which set back the progress of the construction of the A9, which is already behind schedule. How confident are you that you have the

antennae, assessment and expertise to be able to detect such changes in the future? These things are not easy, so how do you ensure that that never happens again?

Alison Irvine: I am fairly optimistic and confident that we are in a very different position from the one that we were in.

The Convener: What changed?

Lawrence Shackman: You are going to talk to David Macdonald later in the meeting. We regularly engage with CECA to talk about a host of issues, which are mainly to do with the road construction sector. In the past, we had a more adversarial—I should say risk-averse—style of contract in which the contractor took nearly all the risk of construction. At the same time, for many years, that gave the Scottish ministers more secure outturn costs. We kept outturn costs very much closer to tender costs—the outturn cost was typically within 3 per cent of the tender cost. That meant that, for many years, there was a lot of price surety for projects such as the Queensferry crossing and various other motorway improvement—

The Convener: You are referring to the Aberdeen western peripheral route and the like.

Lawrence Shackman: The market has changed, and contractors are not willing to accept that risk. That is largely to do with market conditions and the uncertainty that those bring. In around 2021-22, it took us a little bit by surprise that only one bidder put in a tender for the Tomatin to Moy section. That had happened in the distant past, when we had to do comparisons to make sure that the tender represented value for money, but, at that stage, it was very clear from discussions with the industry that companies were no longer prepared to tender for our contracts on that basis.

As Alison Irvine mentioned, we had a huge market engagement exercise with CECA and many other contracting authorities, following which we moved to the new engineering contract, option A, which involves the payment of a lump sum. That places a lot more risk on Transport Scotland and the Scottish ministers but, in theory, it reduces the tender cost proportionately. We now have to manage a contract a lot more closely out on site. We work with the contractor to look at any events that occur, and we try to make sure that we agree on additional costs or time there and then as the contract continues.

In recent times, we have been looking at the framework agreement for the five remaining sections of the A9, which is worth almost £2 billion. As you will have seen in the past few weeks, we put that out to market and we have announced that there are five bidding contractors for that framework. That gives us confidence not only that we have listened to contractors but that contractors are confident about bidding for our work. That framework will be finalised by the end of the year, and we will be ready to call off the first contract—the contract for Dalraddy to Slochd, which is probably the biggest section of the A9—from January onwards.

The Convener: My question is not about the specifics. My question is, if such a change happens again, how confident can you be that you will pick it up?

Alison Irvine: It is a question of engagement.

The Convener: Why did not you undertake such engagement before?

Alison Irvine: In 2021, the world changed. That is genuinely what happened.

The Convener: But the signs were there in relation to the AWPR, were they not? The additional costs for that were hugely contentious. Surely that was a warning sign that you should have reacted and responded to by taking a different approach.

Lawrence Shackman: That was more of a contractual issue.

The Convener: Are you saying that that was completely different?

Lawrence Shackman: Yes—

The Convener: Was it not about risk?

Lawrence Shackman: That contract placed a lot more risk on the contractor. It was not, by any manner of means, one of the more modern contracts that we now put out to tender. It involved a different set of rules, if you like.

Alison Irvine: And the contractors entered into that contract.

The Convener: Yes, I know.

Alison Irvine: In addition, the Carillion liquidation issues were associated with that.

The Convener: I get the sense that the way that you do things now means that you have a greater sense of what is happening and a better relationship with the sector, which should help to avoid similar events in the future. However, problems might not arise in the same way in the future. The issue is whether Transport Scotland has sufficient expertise to be able to detect such a change. However, we have probably covered that.

10:30

Let us move on to consultants. There is concern about the amount of money that we spend on

consultants across the transport sector. That is not just about Transport Scotland; it is about local authorities as well. On the A9 dualling from Perth to Inverness, you have spent £261 million, with only 11 miles having been built so far. On the A96, you have spent £88 million, with nothing having been built. In total, that is £340 million spent on consultants. On buses, there was £500 million for the bus partnership fund, which ceased four years later. Of the £500 million, only just over £20 million was spent, but the vast bulk of that was spent on consultants. Why is it essential to spend so much money on consultants when we get very little in return?

Alison Irvine: I would dispute that we get very little in return, but I would not dispute your overall point about how much money is spent on consultants. It would be helpful to give a couple of examples to explain the decision making on when to do that.

In Transport Scotland, Lawrence Shackman leads our infrastructure projects team, which includes a significant number of qualified civil engineers, so we act as an intelligent client. However, when we are proceeding with the design and development of an infrastructure scheme such as the A9 or A96, we require a surge in the number of people who are employed to do the design, the stakeholder engagement—which helps us to minimise the likelihood of inquiries at a later date—and the environmental work et cetera. We use consultants to balance the resource allocation because it would not be appropriate for us to come into that.

To get a project ready to build, which is the bit that really matters to people, we have to spend time going through all the design and development work, to come up with a robust cost estimate, understand the risks, support stakeholder engagement and do all those other things. It is our role, as the intelligent client, to make the best use of the resources that we have.

Would I like to spend less money on consultants? Yes. Every time that we are looking at a contract or post, do we take the opportunity to take a view on whether it would be better done within the civil service? Yes, but that has to be done as part of the overall spectrum of managing resources across the piece. There is also the issue of specialist expertise, which we do not always have.

The Convener: This is not about Transport Scotland, but we have been told that ZetTrans, the Shetland Transport Partnership, commissioned a consultant to look into why people were not cycling in Shetland. The consultants came back and said, “It’s hilly, cold and wet,” which I think the partnership knew already. That is not your responsibility but, sometimes, across the transport world—that is just one example—it looks as if there is an addiction to employing consultants because of the fear of getting something wrong when, actually, decisions could easily be taken by the organisations.

Across the transport world, not just within Transport Scotland—I am sure that you would not do a study into cycling in Shetland—could a significant change be made to eradicate those kinds of consultations and surveys and the use of consultants, to get better value for money?

Alison Irvine: I will not comment on that example, but there is always a balance to be struck when giving people and communities that are impacted by something an opportunity to have their say. When we take any scheme through the design, development and construction process, people have views. Many MSPs write to me about the views of people in their constituencies. I think that it is right for people to get the opportunity to express their views. Whether that is proportionate and appropriate, though, is really a decision for the authority that is responsible for the individual thing that it has been tasked with delivering.

The Convener: Right—I have concluded my questions. I call Collette Stevenson.

Collette Stevenson (East Kilbride) (SNP): Thank you, convener, and a very warm welcome to our witnesses.

I want to touch on workforce planning, apprenticeships and, alongside those issues, supply chain visibility. In your annual procurement report, you say that 832 new entrant positions, 63 apprenticeships and 172 graduate positions have been created. Do you track whether those positions lead to completed qualifications and sustained employment, including through subcontractors?

Alison Irvine: That is a great question. I will turn to John MacIntyre to talk about our work in that respect and to draw out some of the measures and community benefits associated with our procurement.

John MacIntyre: Our corporate procurement strategy has various different enablers and objectives, one of which is about sustainable procurement and community benefits. The figures that you have just read out are for the financial year 2024-25; we are just putting together our figures for the financial year just past, and we hope that they will, indeed, show an increase.

To get the figures, we go around our different suppliers. Generally, at any one time, Transport Scotland will have about 250 contracts in place, some of which will include community benefits and some of which will not, simply because the type of

work that we are procuring is not suitable for that. We track the figures year by year and report them annually as a combined figure.

Some of our schemes have more longevity—I am thinking of the A9 design scheme, for example, which has been going on for a long time. It has resulted in a very good initiative called academy 9, on which our design consultants and other stakeholders have done a lot of work. They go into schools and basically enthuse children—we hope—and older people about science, technology, engineering and mathematics, or STEM, activities. We track the figures for academy 9. With other schemes—say, a piece of work that lasts for a shorter time—we might still get community benefits, perhaps in the form of school visits, but those benefits will last only for the course of the particular contract.

Collette Stevenson: So, there is no actual register of the jobs that come through, particularly with regard to the 63 apprenticeship posts. Where do the posts stem from? Do you keep a register of tier 1 contractors that subcontract down?

John MacIntyre: Indeed. Every year, we collect statistics for our annual procurement report, which reports on our progress against our annual corporate procurement strategy. At the same time, we get figures from our tier 1 suppliers, and we ask them for information about their subcontractors, too. We do collect that information.

Collette Stevenson: Do you keep a register of that? I would suggest that, elsewhere in the UK, compared to your approach, there does not seem to be necessarily more transparency—I would not say that there is—but there is a requirement, under the Procurement Act 2023, to keep a lot of information. Do you just have such a register, too, or are you willing to produce one? Basically, it follows the public pound for every procurement contract, from tier 1 right down to the subcontractors.

Alison Irvine: We publish an annual procurement report, as you have heard, but I think that you are asking whether we track those 63 apprenticeships and where those people go—is that right?

Collette Stevenson: There are multiple aspects to that, from, as you mentioned, visibility to the community benefits arising from apprenticeships and employability. Do you keep such a record, or would you be willing to set up a register for the public to look at?

John MacIntyre: At present, we do not have such a register. We publish our statistics annually in our annual procurement report. However, I am aware of the type of thing that you are talking about. In other parts of the UK, as well as in Scotland, some contracting authorities take the approach of monetising their community benefits. Scottish Government advice, which we follow, has always been not to monetise community benefits, because doing so can sometimes be a little misleading, so that is not a route that we have gone down.

Collette Stevenson: Do you think that, from a transparency point of view, that is something that the public would like to see?

Alison Irvine: Perhaps we can look into that. We will take that away and look at what is done in other parts of the country, to see whether there is a way in which we can increase transparency, as that would be a good thing to do.

The other thing that I would flag is that the contracts that we issue every year—we are talking about significant sums of money—provide direct employment for a lot of people beyond the 63 apprentices, the 172 graduate positions and all the rest of it. There is a much wider piece about how the spend that we are responsible for supports people to live in great places, live good lives and have fulfilling careers across the country.

It is a matter of getting the proportionality right in terms of gathering the information that people want in a way that makes sense, so that we can stand behind that information and identify where we can improve it. There are always ways in which we can improve.

Collette Stevenson: From a constituency MSP's perspective, it would be useful to be able to promote the fact that small and medium-sized enterprises are taking on apprenticeships. It would be useful for that to be transparent and to be able to see the trail that that creates.

Alison Irvine: That is something that we can take away.

Collette Stevenson: Thank you.

Donald MacKinnon: Following on from Collette's line of questioning, the creation of new entrant positions and apprenticeships as a community benefit sounds good. I am interested in how you ensure additionality. How do you ensure that these are not positions that would already have been created through the project? How do you build that into your procurement?

Alison Irvine: That is another good question. If the Government spends money on one transport project, it creates jobs. If the Government spends money on education, that also creates jobs. You start to get into really complex assessments, which is why we try to be confident about the figures that we publish, so that we can stand behind them, without worrying about the additionality piece.

Maybe what I am saying means that we are talking at cross-purposes—sorry.

Donald MacKinnon: You are saying that community benefits are an important part of your procurement approach and strategy. The procurement report highlights the creation of jobs and apprenticeships as a community benefit. If that is really a community benefit, it cannot simply be the same as employment that is generated through other forms of infrastructure development, such as renewable energy projects. I am not conflating the two; community benefit is different from simply delivering a project.

What you are pointing to as a community benefit is the creation of those jobs and apprenticeships. To me, a community benefit must be additional to the delivery of a project that you would have undertaken anyway.

10:45

Lawrence Shackman: The community benefits element is a major part of the quality score when we look at tenders. It is an opportunity for a contractor or supplier to add, as part of the tender process, extra things that they intend to deliver during construction or during the service delivery. This is going back a few years, but on the Queensferry crossing, for example, a specific number of graduate places was asked for in the contract and contractors who offered further places gained bonus points in the scoring of that contract. It is about that additionality during the tender assessment phase of a project and then, obviously, about ensuring that that is tracked through the delivery of the contract.

There is additionality there. Obviously, community benefits cover a whole raft of things, including contributions to local funds or community initiatives such as storage areas.

Donald MacKinnon: I am interested in that point about the other stuff that communities might need from projects. I spend a bit of time going up and down the A9 and big projects are on the go there, with large amounts of kit and resources that are not always fully used. How they use their resources and deploy their equipment is obviously up to the contractors, but at the procurement stage in such a big project, what opportunities could there be? What engagement do you have with, for example, local community groups or even local authorities about projects that they might be looking to undertake in and around that area? When you have a massive project that is bringing in a lot of resources and equipment, what are the opportunities to do some other additional projects alongside it? Would you consider something like that or is that not possible?

Lawrence Shackman: It is certainly considered as part of the project but it is really very much for the contractor to take that initiative. Obviously, it is in their interest to put in that additionality and ensure that they can deliver on what they put into their tender in order to be able to win it.

You are right: it covers a spectrum of things, such as generating employment in the local area, talking to the local communities about potential supply chain opportunities, working with schools and colleges for educational purposes, and trying to minimise environmental impacts as much as possible. They might suggest that they will do supplementary planting outside the limits of the site, for example, which only the contractor can do—we could not, in a contract, plant outside the limits of a site that we had statutorily purchased. It is up to the contractor to go out to the communities, see what opportunities there are, reflect that in their contract and then ensure that that gets delivered through the construction or the supply.

Donald MacKinnon: Do you have any good examples of where physical works have happened outside of a contract?

Lawrence Shackman: I do not have it in front of me but there are numerous examples in the annual procurement report of what has happened on previous contracts and what is being delivered at the moment on the A9.

John MacIntyre: I could maybe chip in on that. As Lawrence described, as part of the procurement process for the A9 schemes, when the procurement goes out, we flag to suppliers any community benefits that we have identified as being required in or helpful to the community. The bidders get a chance to supplement that as well, and that comes back as part of the bid when it is assessed.

A practical example on the A9 was the Luncarty to Pass of Birnam project. The contractor proposed a men's shed initiative, which folk from the local community would come along to; it then put in that facility, which was welcomed. There are fundraising initiatives as well on a lot of our construction projects. On the Luncarty to Pass of Birnam project, the contractor also employed veterans through project resettlement, education, community, construction, employment—RECCE. Those are all worthwhile initiatives that would perhaps not normally be recorded as part of our construction projects. Going through a more formal process to allow contractors to offer those things allows us to monitor the contracts and ensure that they are delivered.

Donald MacKinnon: Chris Wilcock, do you have anything to add on that? When ports infrastructure is being put in place, there will always be opportunities for other users. A lot of

community engagement is involved in the port projects, but does anything in particular jump out at you on this question?

Chris Wilcock: You are right that there are a lot of opportunities for people to engage on the ports projects. That is usually on what would be helpful and sometimes on the detail of more localised matters such as lorry parking, particular drop-off points or how different elements interact.

CMAL's contractors have done certain things, including a mini version of the engagement with schools, so there have been opportunities in that regard. In relation to the Islay class vessel contracts, match funding came from the yard to CMAL's corporate social responsibility fund in order to fund projects in communities where the vessels are going to serve. On the small vessel replacement programme phase 1 project, opportunities were given to graduates and apprentices. I am not sure what the take-up of that was, but those are the sorts of things that have been built into those projects.

Donald MacKinnon: Thanks.

Zen Ghani: I thank the witnesses for coming today. The brief includes a list of projects that are fully funded, and they look good in delivery terms. A few projects are referred to as being in earlier stages of development, but the brief does not refer to the budget for those. Are budgets for those projects agreed, and, if so, how much are those likely to cost going forward?

Alison Irvine: Are you referring to any particular project?

Zen Ghani: I am thinking of major projects such as the dualling of the A96.

Alison Irvine: I am assuming that you are referring to the investment development plan, the delivery pipeline and all the rest of it. There are two sections. One is about projects that have an agreed outline business case, where procurement is under way or that are in construction, so they will have the appropriate level of funding allocated to them in accordance with their stage of development. There is funding in the budget for the A96, and you will have seen that in the various publications. That allocation happened around the turn of the year, in the budget.

For the projects that are in the pipeline that are still going through the outline business case process, working out how much it will cost, how effective the scheme is and where it will sit in terms of ministers' priorities are part and parcel of that work. Again, the funding choices that ministers make are appropriate to the stage of the relevant project.

Zen Ghani: Are you recommending some projects be prioritised over others at the moment?

Alison Irvine: Ministers are the ones who set priorities and decide where they want to invest their money, and our job is to provide them with advice on, for example, how much that will cost, how long it will take to deliver and what the business case is, in order to help inform those decisions.

Zen Ghani: Okay.

Alison Irvine: I am sorry—I should have been a wee bit more helpful than that. In 2022, following the second strategic transport projects review, the "STPR2 Final Report Summary" was published. It sets out recommendations to ministers on the types of projects, which they might want to consider prioritising, that would support the delivery of the national transport strategy and the other outcomes that the First Minister is seeking to achieve, so that is in the mix, too.

As we have touched on, in the transport world, it takes time to decide on a project and then to take it from a concept through to delivery. We have projects at all those stages that ministers have asked us to look at.

Zen Ghani: How many projects are currently just ideas and do not have any funding?

Alison Irvine: I do not think that I could answer that. That is not out of badness; I genuinely think that I could not answer it.

Zen Ghani: Would it be possible to send the answer in writing?

Alison Irvine: No, I do not think so. I point you to the delivery pipeline, which outlines the projects that we are working on. From memory, there is a third section, which contains the other things that we need to look at—that kind of concept. I point you to that and to the STPR.

Zen Ghani: That is fine.

How do you guys create the environment to attract private investment in Scotland for infrastructure projects?

Alison Irvine: We did a lot of work on the role that private investment could play in the A9. That was and remains a significant investment for ministers to prioritise in the budgets that they have available. Fiona Hyslop made a statement in Parliament on the rationale and decision making on that.

To be really simplistic, in the transport world, whether the money comes through capital funding or private funding, things still have to be paid for. It depends on the appetite and what ministers choose to do with their capital spend versus what they want to do with their resource spend. Those

choices play into the mix in the decisions that, ultimately, ministers make.

We did a lot of market engagement on the A9 to inform the decision that ministers took. I am sure that Lawrence Shackman could talk to you about the engagement that we did with major funders, international contractors et cetera. A substantial amount of expertise was put into that to help inform that decision. I do not know whether you want to hear about that.

Zen Ghani: Yes, I do.

Lawrence Shackman: We have undertaken private finance projects for roads. I think that we have five private finance contracts that are still live. One of them is just about to come to an end next year, after its 30-year contract period. The private finance contracts are a long duration, because they are not just about the construction of a project; they are about the maintenance and operation over an extended period, which is typically 30 years. The one for the A74(M), which is actually known as the M6 DBFO—design, build, finance and operate—contract, is about to come to an end next year.

We look at all sorts of procurement options when we are considering major road schemes. As Alison Irvine said, we looked in earnest at using private finance on the A9. Back in 2023, we did significant engagement with the market and looked at the market conditions. Obviously, the finance markets have had a turbulent time. At one stage, we were considering basically having all the A9 covered by private finance and doing the whole of the dualling through three contracts. However, in 2023, it appeared that the market was still not in a good place and was not offering value for money. Obviously, we have to consider the Scottish public finance manual and ensure that things are as good value for money as possible.

In thinking about the private finance contract, we were considering the mutual investment model, which has been used in Wales quite successfully in recent times. The costs were about 16 per cent higher than if we used our traditional design and build capitally funded contracts. We then looked at the issue again at the latter end of last year and found that it was 28 per cent more expensive to use private finance. That represented poor value for money, which is why we are taking forward the A9 as a capitally funded design and build schedule of contracts.

Suffice to say that, if market conditions change, we will look at private finance again, and the Scottish Government will look at private finance on other types of infrastructure projects. Those projects would need to be of a certain scale, because they typically involve a long contract and a project would need to be worthwhile for the investing entity and for the contractor who is going to build whatever it is. It needs to be worth their while to set up the project and undertake an ongoing commitment to it. It could be a prison or a series of prisons, or a school; schools have typically used private finance in the past.

11:00

Some of our roads projects have been successfully delivered using private finance, and we will continue to look at that option in the future.

Zen Ghani: What has the feedback from private investors been like regarding Scotland as a place to invest?

Lawrence Shackman: They are very keen. We had a lot of interest when we were looking at a mutual investment model for the A9, not only from across the UK but, typically, from across Europe. A lot of companies deliver on private finance contracts and they were keen to get involved in the A9. The finance may potentially have come from Europe, but a lot of the actual labour to build the contract and to manage it going forward would have been Scotland or UK based, so that aspect would not have been particularly different. We had a lot of interest.

Zen Ghani: That is great to hear. I have no further questions, convener.

The Convener: I will come in briefly on that. On through-life costs, is there any discernible difference between having capital funding come directly from the Government versus using private finance with regard to construction? Do you undertake different consideration of how much is invested in it in order to ensure that the through-life costs require lower maintenance? Is there any difference?

Lawrence Shackman: All projects are assessed over a 60-year period. If we use our capitally funded model, we ourselves have to ensure that the project is maintained and operated, and we use our operating companies to do that—

The Convener: But, in some ways, being Government funded means being under different pressures, such as working to shorter timescales, whereas private finance might work on a longer-term basis . Does that make a difference?

Lawrence Shackman: Yes, it does. When a contractor is building the project, they know that they have to maintain and operate it for a 20-year period. When we build our capitally funded projects, we make sure that the contractor builds it to the right specification and that it is going to last, to coin a phrase, but that is very much so for the private finance initiative model. The operator will

want to make sure that the project is built correctly and is going to last for a 30-year period. At the end of the 30-year period, it has to be in a fit and proper state to be handed back to the Scottish Government. We are currently going through a handover project for the A74(M) project that I mentioned to ensure that it is in a fit state to be handed back to Scottish ministers during next year.

The Convener: For my sins, I have turned into a bit of a transport geek and I now listen to "The Scottish Roadscast" podcast. One episode was describing the construction of the Pass of Killiecrankie and how it would originally have been a single two-way road. In the end, the Government at the time decided to invest for the long term by building dual carriageways, for which we are now very grateful.

However, we might wonder whether, if there were not such pressure for constructing or dualling the A9 all the way up, we would make the same decision today or whether, because of the strictures on public finances, we would have just stuck with single two-way traffic. Do you have any reflections on how the approach has changed over the years?

Alison Irvine: Another example of that is the M74 down to England. Once you get south of Lesmahagow, it goes to three lanes. For my sins, that was first project that I ever worked on—

The Convener: Ah—you are responsible.

Alison Irvine: No, I am not—I am not going to take the credit for what I am about to say. [*Laughter.*]

As part of the deliberations on what the Government would build at that point in time, the consideration was, "This is the main route to England, where our markets are. If it's built as a three-lane motorway plus a hard shoulder, when work is done to maintain it or when there is an accident, if we have those four lanes available, we can do a two-way contraflow in each direction." Believe me, there are ways in which we can monetise the benefits that are associated with savings in delays that help to support the business case and support those decisions being made.

The Convener: Do you think that that decision would still have been made today, given the strictures on our finances?

Alison Irvine: I am using the M74 as a more recent example than the Killiecrankie pass of where Governments have done that.

On the A9, our business case has been done at a programme level because a lot of the benefits associated with dualling the A9 from Perth to Inverness are realised as a result of having those two lanes in each direction all the way there, as opposed to dealing with each one individually. That is probably the most recent and relevant example of how we approach our business case and our justification and rationale for investment, which is more rounded than simply asking how much it is going to cost, although all of that is important.

The Convener: I suppose my point is, has the situation changed over time? Do you think that we are looking at through-life costs more effectively now than we were in the past? Alternatively, do you think that, because of public finances being tight, the options are more limited? Or is it the same?

Alison Irvine: I think that the situation has improved, because we have to be mindful of not only the whole-life cost of building an infrastructure project but its maintenance over its lifetime. For the A9, we will be directly responsible for that, so it is in our interests to ensure that we understand what that is likely to cost and how we can design the scheme so that it is more effective for our operating companies to maintain the road. Where do we want to put the bays in for the gritters to turn round? All those things are part and parcel of the decision-making process.

Lawrence Shackman: To add to that, safety is obviously a big consideration. It depends, to some extent, on the levels of predicted traffic flow—that is an art in itself, really. At certain levels of traffic flow, dual carriageways would not be appropriate; that simply would not be value for money. If we have to resurface the road, which is inevitable at some stage, one lane would be closed and we would have to have a contraflow on the single lane. With dual carriageways, there is much more flexibility. However, you would only consider a dual carriageway once you had a proportionately higher amount of traffic. I go back to the example of the M74, as there is a lot more traffic on a motorway.

It is about not just the standard of the road, but the junction types. In general, two-level junctions are much easier to maintain than a single at-grade ground-level junction, and much safer. A lot of those factors are taken into account when we are doing our economic assessment. They include delays to the public, and maintenance and how much delay that will cause. Those aspects are all monetised, in particular safety and predicted accidents. Travel time is another important factor in economic assessments.

I will not bore you with all the details, but a lot goes into the economic make-up of a project with regard to whether or not it becomes value for money.

The Convener: I think that we will have a section at every committee meeting where we

have a quiz on “The Scottish Roadscast” to make sure that everyone is listening to it.

Graham Simpson: I, for one, am looking forward to hearing the convener when he is a guest on “The Scottish Roadscast”. It could be required listening.

Mr Shackman, I want to ask about the figures that you gave on the mutual investment model for the A9. You said that it would now be 28 per cent more expensive. Is that the whole-life cost, including maintenance?

Lawrence Shackman: Yes, that was over the 60-year valuation period. In today’s prices, it would be 28 per cent more expensive if we used private finance as opposed to capital funding.

Graham Simpson: Okay. What about the up-front costs? How do those differ?

Lawrence Shackman: What do you mean by up-front costs?

Graham Simpson: Well, you find a contractor and they give you a price. If it is a mutual investment model, it would be what I always describe as a rent-a-road scheme, as that is what you are doing, in effect. If you are not renting the road, you have to pay more up front, I guess.

Alison Irvine: Part of the information that we provided ministers to inform their decision making were profiles for both the design, build, operation and maintenance capital spend model and the mutual investment model, so that they could see the parity between the two options that they had in front of them.

Lawrence Shackman: Obviously, there is a sharp capital cost if it is a design and build capital-funded project—there is a peak there. With the mutual investment model, the payments start to go out the door to the company concerned once the road is built, but you pay over a 30-year period and it costs significantly more overall.

Graham Simpson: It costs more overall, but, initially, it is not more expensive.

Lawrence Shackman: No, it is not, but it catches up with you eventually. It is like having a mortgage, basically.

Graham Simpson: My point is that the Government has to find the money for the initial cost.

Lawrence Shackman: It does.

Graham Simpson: We have spoken about it already in relation to ferries. It has to find the money.

Lawrence Shackman: It does.

Graham Simpson: It has to be budgeted for, and it is not clear to me whether the initial cost for the A9 has been budgeted for.

Lawrence Shackman: I mentioned the design, build, finance and operate contracts in relation to the A9. Those old contracts are starting to come to an end, so the money that was being paid out to those entities will not be paid out any more. There will be more money coming back into Government funds from those contracts as they come to an end.

Graham Simpson: The M74 contract, for example. How much did you pay for that, by the way?

Lawrence Shackman: That was 30 years ago, so it is a relatively small amount of money. It is a nominal amount of money, but, collectively, all the private finance projects accumulate, so it costs the Scottish Government a substantial amount of money to pay for capitally funded projects. That is just one avenue for the Scottish Government to go down.

Graham Simpson: Is it correct that no money has been found for the A96 yet?

Alison Irvine: There is money in the budget to support the design and development piece and the advanced works contracts that are being issued. Again, that is set out in the spending review period. Decisions beyond the spending review period will be reliant on the business case and the choices that ministers make.

Iris Duane (Glasgow) (Green): I will pick up on something that Zen Ghani mentioned, as Alison Irvine answered the question that I was going to ask. In the infrastructure delivery pipeline, there is also the low-carbon and sustainable travel programme, which includes active travel, infrastructure, procurement and such matters. Although that is, of course, positive, we have heard from a number of witnesses—I am sure we have heard this from stakeholders in our regions and constituencies, too—that they are often unable to pursue a project of the scale that is required to make a significant impact, especially in active travel, due to single-year budgeting. Transport Scotland delivers very large projects, so, in that context, are there any lessons that other public bodies could learn from the Transport Scotland model?

Alison Irvine: Single-year budgeting, which we are all having to work within, is difficult, and it is particularly difficult for local authorities when they have to balance such projects with the other decisions that they make. We are very different from local authorities and I would not want to say that they can learn from us, because we are in such different circumstances. However, we

recognise the challenge for local authorities from the funding model that we have.

Iris Duane: It is good to hear that you recognise the challenge. Earlier, you mentioned the prioritisation of funding and how you advise ministers. Is the way that active travel is being prioritised constraining Transport Scotland's ambitions in the infrastructure projects that it might want to pursue in that area?

Alison Irvine: These are all decisions that ministers make on the basis of the advice that we provide them with. We have now got to a good position in understanding what local authorities' appetite is in the active travel space. We understand the capacity that local authorities have to spend the money—because it is important that, if you are given an allocation, you are able to spend it and deliver the necessary outcomes. We can use all that evidence to help ministers to make decisions on how they want to prioritise funding across the transport portfolio.

11:15

Iris Duane: Thank you for that. I should have mentioned that I asked the question because our predecessor committee asked specifically about single-year and multiyear budgets.

This question is potentially for John MacIntyre, but I am happy for anyone to jump in. As you have probably seen recently—it has been mentioned in Parliament—CAF Mobility has been shortlisted for ScotRail's new suburban train fleet procurement despite appearing in the United Nations database of companies that are involved in activities in the occupied West Bank. How does such a thing happen?

John MacIntyre: In the Public Contracts (Scotland) Regulations 2015, there is a regulation on exclusion criteria. When we go out to procure under the regulations—indeed, it is very similar under the Utilities Contracts (Scotland) Regulations 2016—the first stage of the process is pre-qualification. At that stage, a single procurement document needs to be completed, which includes a list of questions about whether an organisation has committed any offences that would exclude it from procurement processes.

In the past few years, the Scottish Government has issued guidance on organisations that are on the UN database that you refer to, and on how they could potentially be found wanting under that regulation in relation to grave professional misconduct. As part of procurement competitions, if anyone has said that they have committed such an offence, we are duty bound to investigate them for that. The regulations say that the matter must be investigated rather than the organisation simply being struck off at that stage. The guidance that we have from the Scottish Government on the UN database of companies that operate in, or have links to, the occupied territories is that we have to follow a similar process.

You mentioned CAF Mobility, and ScotRail Trains Ltd is leading that procurement exercise. It is a contracting entity in its own right, but it will be adhering to those regulations and will, I imagine, be following that process.

Iris Duane: I agree. I read through the Scottish procurement policy note and understood the grave professional misconduct element. However, I am concerned that, in this specific case, the business is reporting that it is fit to do business. Are you aware whether an investigation is under way to examine whether the business is fit to be on the shortlist?

Alison Irvine: We are seeking further assurance from ScotRail Trains Ltd on the legal advice that it has received. Up to this point, we have had the necessary assurance that the status of that contractor has been investigated and that the legal position has been established, which is why CAF Mobility is on the shortlist. That, of course, remains under constant review, and I would expect that CAF Mobility will have views on the matter. We cannot direct ScotRail Trains Ltd to do something that is not lawful, so we are requiring and seeking assurances from it in that respect.

Iris Duane: To be absolutely clear, there is no implication that you should in any way breach the law or the guidance that has been set out for you.

As we know, the Scottish Parliament agreed to a motion on boycott, divestment and sanctions. The UK Government has very recently changed its stance on settlements in the West Bank and has referred to "settler terrorists". We know that the United Nations considers the settlements to be illegal. Are you aware of any contact with the Scottish Government or the UK Government relating to changes in how we are procuring stuff like this? I am just a bit concerned, because some years ago—I believe that it was in 2020 or 2021—CAF Mobility was shortlisted in the high speed 2 procurement exercise and concerns were raised about it at that time. The Scottish Trades Union Congress has also raised concerns about CAF Mobility having been shortlisted a second time. That has happened even though, from some perspectives, the company is not viewed as being eligible for procurement, if you understand what I mean.

Alison Irvine: We are aware of all the changes in circumstances, and we expect ScotRail to be aware of them, too, and to apply those, as appropriate, to the procurement route that we are on. I give you an assurance that we are aware and that we are making sure that ScotRail, as the

procuring authority, is taking the appropriate steps—again, working within the procurement laws that we have to work within.

Iris Duane: Yes—I understand. I know that you are not ScotRail.

I have no further questions, convener.

The Convener: I will conclude by returning to the direct award for the ferries. Phase 2 was scheduled to run from 2026 to 2031, so, if we are, as you said, delayed by potentially up to six months, we are already behind schedule. Are you concerned that that might have an impact on the eventual delivery of the ferries, given that we are spending a considerable amount of time working out the legalities?

Alison Irvine: At this point in time, no, I am not concerned, but we will keep it under continual review and will provide advice to ministers as appropriate.

The Convener: The schedule is from 2026 to 2031 and we are starting in 2027, so we are already behind. In addition, our track record in this area is not great. Are you absolutely confident that we are still on schedule?

Chris Wilcock: With regard to where we are in the process, as Alison Irvine referred to earlier in the discussions, we have reached the point at which CMAL would come to us and present the outline business case to allow it to go to procurement, and that is due to come to Transport Scotland later in October. It was anticipated that that might have happened earlier in the year, but the delay in that business case has not been around direct award—it has involved some consideration of what the number of vessels might be and the associated port works and so on. There was an aspiration for more vessels, so CMAL has been asked to revisit the outline business case and come back to us. At present, the business case is being finalised in that regard and is expected to be with us in October.

At that point, we will take it to ministers and go through the normal process for them to approve all the things that we have talked about in this session—the lifetime funding, what it is going to cost and the capital expectations. That all goes to ministers for approval, and we will then go back to CMAL to move on with the procurement at that point. At present, we are still undertaking the normal process and doing the work on direct award in parallel.

The Convener: When did the whole process of trying to ensure that a direct award would be legal actually begin?

Alison Irvine: You will, no doubt, be aware that it was part of our considerations for SVRP phase 1, which was in 2024, I think.

Chris Wilcock: Yes.

Alison Irvine: At that point, ministers made the decision that we should proceed to open procurement.

The Convener: But when did the current consideration of it, which led to CMAL moving from being a public body to being a non-departmental public body, begin? When did that bit of the process start?

Alison Irvine: The non-departmental public body status has applied since we made the direct award for the Clyde and Hebrides ferry service. The Teckal compliance element has always been part of the mix, because we know that ministers have an aspiration for the direct award of ferries to Ferguson's, as appropriate.

The Convener: It seems as though activity started only in recent weeks, but you are saying that that is not the case. When we asked the cabinet secretary about the process in the chamber, it felt as though the activity had begun only after the summer recess, but you are saying that that is not the case.

Alison Irvine: It has been part and parcel of our thought process for a while.

The Convener: I have one final question, although I see that Graham Simpson has another question. Do you want to come in, Graham?

Graham Simpson: I outlined earlier that, in phase 1 of the small vessel replacement programme, the Government wanted to make a direct award but did not because it got advice that that was not legal at that time. That is still the case, as you have confirmed—as of today, it would not be legal. I think that the convener is asking at what point you decided to revisit the matter. There was an announcement by Kate Forbes—I think that it was in March—that the Government wished to pursue that line. Was that the point at which you were told, "Right—start work on making it legal"?

Alison Irvine: As I said earlier, our role in the process is around the business case associated with the procurement of the vessels, which is ongoing, and we are contributing to the subsidy assessment work that has been undertaken by another part of Government. We are not leading on that, but we are contributing to work on the Teckal compliance aspects with CMAL. Our effort is currently focused on the work on the outline business case and the changes in governance associated with CMAL.

Graham Simpson: But you are working on the governance and making it Teckal compliant.

Alison Irvine: Yes.

Graham Simpson: At what point did you start doing that work?

Alison Irvine: We started making the changes to the NDPB at about this time last year, I think.

Chris Wilcock: We certainly did that for CalMac, to allow us to directly award the CHFS3 contract. As Alison said, there are two strands: there is our work on the NDPB aspect, and we have always assumed, based on the position that there would be a direct award, that CMAL would need to be Teckal compliant.

To go back to the point about the earlier awards, ministers have been clear in their statements that we would have taken a case-by-case approach. At the point at which the SVRP1 contract was awarded, direct award was not the route and that work needed to be undertaken, because the award was not there. I think that the language that was used by ministers at the time was that there was a risk that we would have the worst of both worlds, with the direct award being challenged.

There has been substantial work done. The convener suggested that the work was started only in the past couple of weeks, but it has been ongoing certainly for the duration of this year, in terms of our involvement, and there is a lot involved in that work. The cabinet secretary referred to the detailed work and the evidence that we need to provide in order to make a robust submission to the Competition and Markets Authority. That work is still ongoing as we speak—and it has been substantial—to get ministers to the point at which they are confident about taking the award forward.

Graham Simpson: So, it has been going on all this year.

Chris Wilcock: I have certainly been involved for the whole year, yes.

Graham Simpson: That work was going on prior to the March announcement by Kate Forbes.

Chris Wilcock: The exploration and the scoping out of what work was required obviously fed into all of that.

Graham Simpson: Okay. So, before she made the announcement, there was work going on to make a direct award legal.

Alison Irvine: Yes. When Ms Forbes made the statement in Parliament, she was quite clear that that was the intention, but it was subject to the due diligence work.

Graham Simpson: So, when you get the business case, next month—we are only a week or so away from October —that cannot be based on the direct award, can it? The business case cannot possibly be based on that. It has to be based on the position as of today, surely?

Alison Irvine: Yes, that is exactly what we anticipate.

Graham Simpson: That is correct?

Alison Irvine: Yes.

Graham Simpson: So, the business case that is presented to Government will not be for direct award; it will be for, let us say, the normal state of affairs, which is going out to the market. That will be the business case.

Alison Irvine: Yes, but I do not think that that is unreasonable—

Graham Simpson: I am not saying that it is unreasonable.

Alison Irvine: Because it gives—

Graham Simpson: It is extremely reasonable, because that is the position that we are in.

Alison Irvine: It gives us the basis on which to understand a lot of the impacts and consequences of a direct award. We need that in any event, Mr Simpson.

Graham Simpson: Do you then expect CMAL to produce a different business case if it is told, "You can't go out to market—you've got to make a direct award"? That would require a different business case.

Alison Irvine: That will be our job.

Graham Simpson: So, the answer is yes.

Alison Irvine: That will be our job.

Graham Simpson: And that would delay things even more, which goes back to the point that the convener was making.

Alison Irvine: I do not agree that it would delay things even more.

Graham Simpson: But it has to, surely. If you have to make another business case, that will delay things.

Alison Irvine: I do not accept the use of the word "delay", but ministers will want—

Graham Simpson: It takes time, does it not?

Alison Irvine: But it is all part and parcel of the work that is ongoing—the subsidy control assessment and the business case.

Graham Simpson: It takes time to produce a business case.

Alison Irvine: It does.

Graham Simpson: Therefore, there will be a delay. Right.

The Convener: I will draw the session to a close. I thank the witnesses. We appreciate your time and the expertise and advice that you have provided this morning.

That brings us to the end of the first part of this morning's evidence session. I will suspend the meeting, to allow a short break and a changeover of witnesses.

11:30

Meeting suspended.

11:35

On resuming—

The Convener: I welcome our sole witness on today's second panel: David Macdonald, who is the regional director of the Civil Engineering Contractors Association Scotland. Again, I ask members to be as succinct as possible, and I ask the same of the witness in his answers.

We really appreciate your coming, David. Lloyd Melville will start us off.

Lloyd Melville: We have just heard from Transport Scotland. As the convener so ably set out, CECA previously described it as

"the worst client to work for in the UK."

Things at Transport Scotland have changed, so how would you describe the organisation now?

David Macdonald (Civil Engineering Contractors Association Scotland): First, thank you, convener, for inviting CECA to give evidence today.

It is fair to say that the point when that statement was made by my predecessor was an all-time low. Things have definitely moved forward with Transport Scotland and the industry. When I was in the industry 18 months or so ago, I was part of a working group to discuss how we could evolve Transport Scotland's contracts, because it was fair to say that the industry found it to be quite a challenging client to work for.

That said, we are now in a position where, as I think Alison Irvine mentioned, the contract basis has evolved. We are now using the new engineering contract—NEC—which provides for a more appropriate sharing of risk. We are not asking the Government not to take on risk; what we are asking is that risk be managed by the appropriate party in the project, and we are in that position now.

We now have quarterly meetings with Transport Scotland, because it was important that the relationship got back to cordial terms. We are in that place now. We have fairly meaningful conversations with it. Transport Scotland likes to take on board what the industry is doing, whether that be the contractual engagement or what is happening in other sectors, such as renewables, energy and Scottish Water, so it has a handle on where the industry is currently placed.

Lloyd Melville: Has the apprehension in the industry about Transport Scotland gone now, and is it on a par with other clients?

David Macdonald: I would not say that that has gone. However, if we consider the A9 dualling delivery framework agreement, as Lawrence Shackman pointed out, there are five bidding contractors for the framework. That is a lot better than the position Transport Scotland was in in 2021, when it was down to one contractor. I would say that it is on a better track. I would not say that all contractors are in the same place, but we are going in the right direction, for sure.

Lloyd Melville: You mentioned that the apprehension has not completely gone. Are changes needed to more readily satisfy the industry's expectations?

David Macdonald: I would not say changes as such. All the industry wants is a fairly candid two-way conversation. We do that regularly now, at quarterly meetings, and those conversations are fairly candid. That is all that our industry is looking for.

In industry, we can take criticism, because that is how things work, but all we look for is a two-way street, and I think that we are in that place now. As I said, the more conversations that we have with the individuals at Transport Scotland, the better I would hope the relationship will evolve over time.

Lloyd Melville: Part of my previous questioning to Transport Scotland was about the length of time that it takes to realise projects, and in particular rail infrastructure projects. Have you any reflections on how planning, procurement and delivery could be accelerated to ensure that such projects are done in a timely manner?

David Macdonald: That is a conversation that I have regularly with members. At the moment, members are looking for things that will flow through and eventually become projects, and they are frustrated at the way that they tend to stick at certain junctures. It is not within my gift to understand why that is, but I do understand that with rail, for example, there are, as Alison Irvine has pointed out, a lot of complex issues to be dealt with. Planning consents are posing quite a lot of problems across the industry, too.

In response to what you are asking, then, I have no silver bullet and cannot tell you the best way of doing that. All I can say is that we in the industry

would like to see these things flow through a little bit more quickly.

Lloyd Melville: Thanks.

Graham Simpson: Welcome to the meeting, David. It is good to see you.

I was just reflecting in the previous evidence session on the situation with the A9. You will correct me if I am wrong, but I think that, in 2021, there was just one bidder for one section; the bid was ultimately rejected, and the Government almost expressed surprise—we heard it again earlier—that the sector was unhappy with the way in which it was dealing with things. I remember thinking at the time, "Well, how can you be surprised?" I knew about the concerns—how could it not have known? I know that we want to talk about things as they are, but can you just reflect back on that period?

David Macdonald: It is difficult for me to pass comment on what happened in 2021, because at that time I was in the industry—I part-owned a business in Inverness—so I was not looking at it from that perspective. All I can say is that it was a moment in time; the comments made by my predecessor took the relationship to a point where there was really only one way forward. We were at ground zero, so to speak, and we had to try to move things forward.

To be fair, we have done that, and things have moved forward between CECA and Transport Scotland. I understand why you would want to look at that issue, but it is difficult for me to comment, as I was not part of it.

Graham Simpson: I do not really want to look back—I would rather deal with things as they are. I am glad that things have been sorted out. That is really positive.

You will have heard my earlier questions about the mutual investment model and private financing. What are your thoughts on that?

David Macdonald: I was employed for a short time by an international company that executed that type of model in Europe. From a contracting perspective, I would say that only a few businesses in the UK can execute that type of work; most of the companies that can are overseas ones that have that sort of gravitas.

We are just looking for work to hit the ground. The procurement model and the model for executing that sort of contract are not too relevant to contractors; they just want to get some work on the ground. The only question that I might have with such a model is how local supply chains would be affected if international businesses were being used to deliver it. Utilising the local supply chain is key; after all, the majority of our membership are small to medium-sized enterprises. Obviously, we have tier 1 contractors, too, but the majority of members are SMEs, and it is important that they be looked after when procurement takes place.

Graham Simpson: That is a good point, because I know of some fairly major projects in Scotland where foreign companies have won the contract and have not necessarily employed local people.

David Macdonald: Indeed.

Graham Simpson: So you have made that point. From your point of view, then, it does not really matter what the financing model is—you just want the work.

David Macdonald: At the moment, the message that I am getting from industry and from our members is that they want to see the work on the ground and to get the workflow. We might come on to talk about this, but having a robust and credible pipeline of work allows my members to invest. One of your colleagues asked about apprenticeships, and I would just say that we in CECA are quite passionate about getting young blood into the industry. However, that can happen only if members are able to invest, and they can invest only if they have a credible pipeline.

11:45

Graham Simpson: Finally, are you seeing the sort of pipeline in Scotland that would give you that confidence?

David Macdonald: There is a pipeline. As contractors, we would always like a bit more clarity and a bit more in the pipeline, because we are greedy like that. There is a pipeline in a number of sectors. However, as I have said, there are challenges, whether they be in planning or whatever, in getting projects on the ground, and we would like a better flow from the concept to the job actually being on the ground.

Graham Simpson: Thank you.

The Convener: I do not want to worry you, David, but Lawrence Shackman and John MacIntyre have returned to observe you giving evidence.

David Macdonald: I did feel something when the door opened. [*Laughter*.]

The Convener: I am not saying that you should watch your words or anything.

I am just going to change the order of questioning and bring in Collette Stevenson next.

Collette Stevenson: Good morning, David. You heard some of my previous line of questioning about apprenticeships and workforce planning. I

am keen to hear your views on those matters, particularly on the capacity of the workforce in Scotland to deliver big transport infrastructure pipelines. I am thinking of the expansion of electricity infrastructure programmes, for example, and the proposed hyperscale artificial intelligence data centres. Do you think that there are serious skills shortages—or perhaps "constraints" is a better word?

David Macdonald: You are right: we are about to embark on what is a fairly large budgetary spend across the sector. There is the grid upgrade that is going on, be it with Scottish Power or SSE plc; there is the work that Transport Scotland is putting out through its pipeline; there is Scottish Water's ongoing programme of works; and there is the rail programme, too. When it comes to civil engineering in Scotland, I would say that we are about to embark on what is a generational spend with the work that is out there.

That does pose a question about capacity, though. CECA saw three years ago that there was going to be an issue in that respect, and we embarked on what we called the CECA academy, which is a pilot programme to get youngsters into what we might call the sharp end of the industry—that is, pipe laying, concrete laying and so on. We have seen that there will be a shortage in those skills, and we have tried to put in place that academy, which is backed by industry and involves further education, to try to generate a pipeline into the industry.

However, that will not solve the problem right now. As I have said to a few people recently, our industry is not like retail; when you move into retail, you do so by selling coffees, say, or helping to fill shelves. Our industry is quite highly regulated and, to be able to work on sites, people have to have the right training and go through the right process. Therefore, it is going to take two or three years for the kids we are trying to take in to be able to come on site.

On your question about capacity, then, the capacity is definitely there in the country, but, as I have said, we need a credible pipeline, and we need to give businesses and companies some time to build the resource to deliver the work that is inevitably coming down the road. All that contractors and the members to whom I speak really want is a little bit of notice, a little bit of time and—I am going to bore you with this phrase—a credible pipeline. That will allow them to invest in the future and build their business so that they can deliver the infrastructure projects that are inevitably coming in Scotland.

Collette Stevenson: That was really helpful. Again, you have mentioned the need for time. How much notice do you think that contractors will need to be able to invest confidently in apprenticeships and, indeed, permanent staff?

David Macdonald: It is quite difficult to answer that question, because every contractor will have their own opinion on that. However, I have been speaking to Scottish Water, and it is about to embark on a programme of works. So, this is a good year, because it is ahead of the game by having a credible pipeline. Obviously, the stuff that Lawrence Shackman and the team are putting out is giving contractors opportunities, too.

Unfortunately, that opens up another question: how accurate is that pipeline when it comes to the programme for delivery and getting those projects on the ground? It is all very well asking businesses to invest in and grow their resource, but they need to know that these things are actually going to happen over that period of time. As I used to say to a lot of clients, I do not have any cupboards in my office that I can wheel 20 people in and out of as and when they are needed. Once you employ these individuals, they are part of your team and part of your business, therefore they are a cost.

The only way that we can move forward is if we have work. It is all very well having the pipeline, but the programme, too, is key to ensuring that we can meet the timescales that we are being asked to meet.

Collette Stevenson: I want to put you on the spot a wee bit. You have already touched on this, but, if you could change one aspect of Transport Scotland's procurement approach to ensure that we had a stronger domestic workforce and could get those highly qualified, trained and retained apprentices, what would it be?

David Macdonald: I think that this was touched on in the previous evidence session. Its documentation does ask contractors about local elements such as how many local people will be working on the project. It has already sensed that a local supply chain is important to the industry.

I think that Donald MacKinnon asked about this earlier, but there is also the issue of local community engagement and the benefits that communities get from these projects. Transport Scotland and a lot of other clients have seized upon that and have realised that they, and contractors, need to engage with local communities at an early stage to ensure that those benefits happen.

It is difficult for me to put an actual timescale on these things, though. All that I can say is that, as far as contractors are concerned, the more time they get to build their business and resource, the better they will be for it.

Collette Stevenson: Thank you. I have no further questions.

The Convener: I know that there is a new structure, with workforce planning happening regionally and nationally through the Scottish Funding Council and the colleges, and there is a new arrangement with Qualifications Scotland with microcredentials, a bit more flexibility and the ability to change courses so that they are a bit more agile. Are there any early signs that that approach is working, and are you fully engaged in it?

David Macdonald: I have to say that it is still early, but we are engaged in the process. Indeed, I have a meeting with the Funding Council next week.

I go back to the CECA academy; it is industry backed, but we are also working closely with further education and the Construction Industry Training Board. Although the output of that is getting youngsters into our industry to supplement the ageing workforce, it also involves three major components getting around a table and having a meaningful discussion about the industry's future. I have not seen that sort of thing before. Therefore, the by-product of the academy is the meaningful conversations that we are having with the right people. In fact, Lawrence Shackman and I were meant to be attending a skills conference this morning in Glasgow, at which industry and Transport Scotland were going to come together to look at how we bridge the skills gap.

These are complex and difficult challenges, but I am also seeing different parts of the industry, be they contractors, clients or the Government, starting to come together to have meaningful discussions. That can be only a good thing, in my opinion.

The Convener: Thank you. I call Donald MacKinnon.

Donald MacKinnon: Thank you for joining us. Returning to community benefit, it is clear from what the Transport Scotland officials told us that they put on to contractors quite a bit of the responsibility for identifying options for community benefit and working those into tender submissions. I would be interested to hear any reflections that you might have on that, but it might be more helpful to hear your views on how other customers approach it. You have mentioned the energy sector and Scottish Water. Do other customers approach the issue in a different way? Are there ways in which more impact could be delivered for communities at the contract stage?

David Macdonald: Lawrence Shackman made a fair point. The contractors tend to deal with such matters, and that is probably the right way for things to be done. It is difficult for clients to address such matters themselves. Most of the clients that I have worked with in the past tend to look for the contractor to take the lead on possible social benefits in the area where they are working. Those benefits might not take the form of jobs; they might include things such as a kick pitch for the local kids or an upgrade of a community centre. The lead tends to be taken by the contractor. Most clients do not tend to do that themselves.

I come from an energy background. Most of the work that I did prior to taking on this role was in energy. I used to advise people to get on the front foot on the hearts and minds side of it. A lot of the work that we are talking about will have a big impact on the local area, and it is important that engagement with the community is undertaken at an early stage in order to understand what it wants to get out of the process. Communities want legacy projects. They will have to experience some pain and some difficulties, so they will want to get something out of the process.

To answer your question, most clients tend to let the contractor take the lead on that, because it can make things complicated if clients get involved in the process.

Donald MacKinnon: When options for community benefit are outlined in a tender submission, are they given different weightings, depending on the client? Do some clients have higher expectations when it comes to what is put on the table by way of community benefit?

David Macdonald: Yes, that varies according to the client.

Donald MacKinnon: And the contract.

David Macdonald: Yes—very much so. Some clients see community benefit as being key to the procurement process, while other clients do not place it as high up in their weighting, so to speak.

However, the one thing that all contractors try to do is to engage with the community at an early stage, because we are the front face of what is happening. As contractors, we will have to work through some challenges with the community, so it is important that we try to understand at an early stage whether there is anything that members of the community require from the project that would make a difference.

Donald MacKinnon: I mentioned earlier that there could be other potential customers in an area, such as the local authority or other projects that might arise. Giving better value to another customer that a contractor might be able to engage with could be described as a community benefit. Is there a role in the procurement process for that, or might individual contractors look at the market in an area that they are working in and see what other opportunities might arise?

An approach could also come from the customer side. I gave the example of a local authority, which might approach a contractor that it knows has secured a contract in its area.

David Macdonald: That would be difficult. Each area has its own nuances, so it would be difficult to structure that in such a manner that one cap would fit all. Contractors tend to try to understand the community and the area that they are working in, and to work it from there. It would be difficult to have a one-cap-fits-all solution. That would be challenging.

Donald MacKinnon: Thank you. I have no further questions.

12:00

Iris Duane: I will not repeat what I said in the previous evidence session, but, as you will have heard, there were comments about the impact that single-year funding is having on investment and procuring products. I assume that you will be freer to comment on that than Transport Scotland is. When it comes to contractors—a point that you have touched on—is single-year funding, especially for active travel, hampering progress?

David Macdonald: Yes. The industry and I understand the timescales that things need to work to, but I do not think that such funding provides benefits. A longer-term plan would benefit all parties. That is not within my gift—I am moving into territory outwith my expertise in relation to the politics of it—but, when I was in the industry, we wanted longer-term solutions rather than short-term bursts of funding. I keep going back to the point that short-term funding makes it difficult for businesses to invest and make decisions.

Iris Duane: You briefly touched on staffing. When it comes to your members and contractors feeling confident about taking on more staff, are we missing out on expertise because of the limits on how we fund things?

David Macdonald: Yes, there is the potential for that. CECA tries to attract people into the industry, and it is important that we get there early. For example, the CECA academy takes in kids at 16. It could be argued that we could do with seeing kids before that stage, because some of them make choices about where they want to go before they get to 16. It is important that we attract kids into the industry, and short-term outlooks make it more difficult for us, as contractors, to do that. We have an ageing workforce and we desperately need to get numbers into the industry based on the workload that is out there, so anything that can help businesses to invest and make such decisions would be a benefit.

Iris Duane: That sounds positive. You make a good point about getting to people when they are young, especially given the ageing workforce. Would changes to the infrastructure delivery pipeline, or the way in which the Government funds such projects, be more than welcome?

David Macdonald: Yes. I do not know too much about that, but anything that would help with future proofing would make a difference. If we are to make civil engineering a strong industry and to retain skills and the workforce, it is important that we look ahead further than just a year or two years. We need to look at the long term.

Iris Duane: I certainly agree. I will keep my questions short and sweet.

The Convener: Earlier, I set out how much more expensive it is in this country to construct and provide national infrastructure. The Centre for British Progress did some work on that. You heard your colleagues from Transport Scotland set out why they think that that is the case. Why do you think that it is much more expensive in this country?

David Macdonald: I do not disagree with anything that Lawrence Shackman said in that regard. We set quite a high bar in health and safety. We can compare that with practice in other parts of the world—when I go on holiday overseas, I tend to get drawn to work that is going on there, given my expertise, and I sometimes wonder how it is happening. Health and safety is a big issue.

Businesses and contractors now have to spend a lot of money. When I was in business, we had various departments—compliance departments and quality departments, for example—that we might not have had five years previously.

Quite a lot is required from a civil engineering contractor before they go out and build a job. Unfortunately, that does not happen for nothing; a cost is attributed to it. As Lawrence Shackman said, the quality of the return and of the projects that are being executed is pretty good in our country. Last week, we had the Scottish civil engineering awards ceremony, which highlighted the real expertise and excellent work in the industry. Although I take your point, I would like to think that the outturn and product here represent decent quality for clients and are executed at a high level.

The Convener: In effect, you are saying that, even though it is more expensive, there is a value-for-money test; you think that we are getting good projects that last in this country as a result of all those extra controls.

David Macdonald: Yes, I think so. I am not saying that every project is top quality, and I am not saying that it is not, but there is a balance.

Overall, a high level of skill and expertise is delivered alongside projects in this country.

The Convener: I set out to the previous panel that local authorities are spending considerable sums of money on consultants, as they do not have the professionals that they would have had 20 or 30 years ago. Do you find that your customers, not just in the transport sector, but more broadly, are not as well informed as they might have been in previous years and that, therefore, they are leaning more on consultants? In your experience, has that changed?

David Macdonald: Possibly.

The Convener: It is not a trick question.

David Macdonald: I have a lot of clients. [*Laughter*.]

In all seriousness, it is possible that there is more of a requirement to lean on consultants than there has been in the past. All the clients I speak to seem to use a lot of consultants to deliver the upfront elements of projects. It is difficult to say, because I am not in the business, but one reason for that could be the fact that they need better skill sets.

The Convener: I have seen more examples of the behaviour of workers in your sector changing to become almost similar to what happens in the oil industry, where people move from one job to the next for pay increases. Are you finding that that is infecting your sector? Are people leaving at short notice for other jobs?

David Macdonald: Yes, that is a big challenge. If we go back to what Collette Stevenson said about apprenticeships, the shortage of skills means that everyone is fishing in quite a small pool. When individuals jump, for small amounts of money, to the next business and the next, all that we are really doing is escalating the cost base within the business. We are aware that that is happening in the civil engineering sector. I hope that it will make a difference if we get people into the sector but, certainly, there is a lot of movement.

The Convener: You have referred to it briefly, but you have some exposure to practice in other countries. It sounds as though you are great fun when you go on holiday, because you go around looking at different construction projects.

David Macdonald: My wife thinks that I am great fun when we do that. [*Laughter*.]

The Convener: You also look at other sectors, such as energy, so you are not just working on transport. Do you draw any experience, knowledge or lessons from other sectors that could apply to the transport sector in this country?

David Macdonald: We have those sorts of conversations and share experiences with other clients. As CECA's regional director, I am in communication with all the main clients in the country, including Scottish Power, Scottish and Southern Electricity Networks, Transport Scotland and Scottish Water. The conversations that we have in those forums overlap; for example, we discuss what other clients are doing with regard to the delivery and quality of work, resources and when the bottom is next likely to come in the market.

The Convener: Do you feel that you are heard within those forums?

David Macdonald: Yes. The civil engineering industry in Scotland employs about 30,000 people, which is one fifth of the figure for the construction industry overall. That number is likely to increase over the next five to 10 years. We have a voice. Clients are coming to us to ask us for an opinion on where we sit, which is testament to the work that has been done previously.

The Convener: If colleagues have no other questions, I will conclude. David, are you a follower of "The Scottish Roadscast"?

David Macdonald: It sounds as though I should be, although I am not at the moment.

The Convener: I can recommend the M90 episode. It is available in various sections and is well worth a listen.

Thank you for joining us, David. We appreciate your advice and we hope that we will have a continued relationship. Feel free to submit any further evidence as the committee's work progresses over the next few years.

David Macdonald: I will do. As I said at the start, I appreciate the time that you have given me to have a chat.

The Convener: If members will forgive me, before we conclude, I want to note that one of our broadcasting operators, Keith Bowman, is retiring tomorrow. I think that this is his last committee session, and we are honoured to have him here. He has been described by his colleagues as a "broadcasting legend"—I am sure that he is. He has been in the Parliament since 2009. We wanted to have our thanks to Keith put on record in the *Official Report*. We are grateful that today's meeting ran smoothly, and we thank him for his many years of service to the Parliament. The committee wishes him well with whatever comes next.

That brings us to the end of our evidence session. We have worked through a lot of business.

I suspend the meeting, and we will resume in private session.

12:12

Meeting continued in private until 12:49.

This is a draft *Official Report* and is subject to correction between publication and archiving, which will take place no later than 35 working days after the date of the meeting. The most up-to-date version is available here: https://www.parliament.scot/chamber-and-committees/official-report

Members and other meeting participants who wish to suggest corrections to their contributions should contact the Official Report.

Official Report
Room T2.20
Scottish Parliament
Edinburgh
EH99 1SP

Email: official.report@parliament.scot
Telephone: 0131 348 5447

The deadline for corrections to this edition is 20 working days after the date of publication.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@parliament.scot



The Scottish Parliament
Pàrlamaid na h-Alba