

# **LOCAL GOVERNMENT AND TRANSPORT COMMITTEE**

Tuesday 28 February 2006

Session 2

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# **LOCAL GOVERNMENT AND TRANSPORT COMMITTEE**

## **6<sup>th</sup> Meeting 2006, Session 2**

### **CONVENER**

\*Bristow Muldoon (Livingston) (Lab)

### **DEPUTY CONVENER**

\*Bruce Crawford (Mid Scotland and Fife) (SNP)

### **COMMITTEE MEMBERS**

\*Mr Andrew Arbuckle (Mid Scotland and Fife) (LD)

\*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

\*Dr Sylvia Jackson (Stirling) (Lab)

\*Paul Martin (Glasgow Springburn) (Lab)

\*David McLetchie (Edinburgh Pentlands) (Con)

\*Michael McMahon (Hamilton North and Bellshill) (Lab)

\*Tommy Sheridan (Glasgow) (SSP)

### **COMMITTEE SUBSTITUTES**

Colin Fox (Lothians) (SSP)

Mr Bruce McFee (West of Scotland) (SNP)

John Farquhar Munro (Ross, Skye and Inverness West) (LD)

Dr Elaine Murray (Dumfries) (Lab)

Murray Tosh (West of Scotland) (Con)

\*attended

### **THE FOLLOWING ALSO ATTENDED :**

Professor Alan McKinnon (Adviser)

### **THE FOLLOWING GAVE EVIDENCE:**

Russell Bain (Scottish Executive Finance and Central Services Department)

Graham Fisher (Scottish Executive Legal and Parliamentary Services)

Colin Howden (TRANSform Scotland)

George Lyon (Deputy Minister for Finance, Public Service Reform and Parliamentary Business)

Duncan McLaren (Friends of the Earth Scotland)

Alan Mitchell (Confederation of British Industry Scotland)

Paul Parr (General Register Office for Scotland)

Peter Smith (Diageo)

Julia Williams (Diageo)

### **CLERK TO THE COMMITTEE**

Martin Verity

### **SENIOR ASSISTANT CLERK**

Alastair Macfie

### **ASSISTANT CLERK**

Euan Donald

### **LOCATION**

Committee Room 6

## Scottish Parliament

### Local Government and Transport Committee

*Tuesday 28 February 2006*

[THE CONVENER *opened the meeting at 14:03*]

### Interests

**The Convener (Bristow Muldoon):** I welcome members of the press and public to today's meeting of the Local Government and Transport Committee. Before we deal with our first agenda item, which is a declaration of interests by David McLetchie, I thank David Davidson for his service on the committee. He was a regular attender of meetings and an active participant in them. We wish him all the best in his new role, which I believe is chairing one of the justice committees.

I welcome David McLetchie to the committee. I am sure that he, too, will be active in pursuing a number of important issues relating to local government and transport. Are there any relevant interests that you believe that you need to declare to the committee?

**David McLetchie (Edinburgh Pentlands) (Con):** Thank you very much, convener. I look forward to participating in the committee's work for the remainder of the parliamentary session. Given that we will question a representative of Diageo later in the meeting, there is a specific interest that I wish to declare. I draw the committee's attention to the fact that last year I received hospitality from Diageo on the occasion of its golf championship at Gleneagles, which was a most enjoyable occasion. However, I do not think that that will be particularly germane to the questions that are asked today.

**The Convener:** Thank you very much for that.

## Subordinate Legislation

### Ethical Standards in Public Life etc (Scotland) Act 2000 (Codes of Conduct for Members of certain Scottish Public Authorities) Order 2006 (SSI 2006/26)

14:05

**The Convener:** Item 2 is subordinate legislation. No members have raised points on the order, no points have been raised by the Subordinate Legislation Committee and no motions to annul have been lodged. Do members agree that the committee has nothing to report?

**Members** *indicated agreement.*

## Local Electoral Administration and Registration Services (Scotland) Bill: Stage 1

14:05

**The Convener:** Item 3 is further consideration of the Local Electoral Administration and Registration Services (Scotland) Bill at stage 1. I welcome the first of two panels who will give evidence on the bill today. The Deputy Minister for Finance, Public Service Reform and Parliamentary Business will appear on both panels. Colleagues will have the opportunity later to question the minister on registration, but first we will consider electoral administration. On the first panel, George Lyon is supported by Rab Fleming, Russell Bain and Shazia Razzaq from the Scottish Executive.

I ask the minister to make some opening remarks on electoral administration.

**The Deputy Minister for Finance, Public Service Reform and Parliamentary Business (George Lyon):** Part 1 of the Local Electoral Administration and Registration Services (Scotland) Bill deals with electoral administration. The provisions in part 1 aim to improve access to and participation in elections, to enhance security and to improve administrative effectiveness.

The Executive's stated policy is to bring the procedures for Scottish local government elections into line with the procedures for Scottish Parliament elections, where it is practical to do so. Therefore, much of the bill mirrors the Electoral Administration Bill, which is United Kingdom legislation. The UK bill also contains a number of changes to parliamentary election rules and the equivalent changes to local government election rules will be covered in secondary legislation. If we do not make those changes, returning officers and their staff may well face practical difficulties when they administer combined elections.

I am conscious that a number of points have been made about part 1 of the bill and I hope to address some of them in my opening remarks. The Local Government and Transport Committee discussed performance standards at length with witnesses and two main concerns were raised: what the likely content of the standards would be and the lack of parliamentary scrutiny of the standards.

As the committee knows, the Electoral Commission's report, "Voting for change", recommended that the Electoral Commission should take on the new power of setting and monitoring performance standards for returning officers. Accordingly, the UK Electoral Administration Bill contains a provision to that

effect. As the Electoral Commission does not have a locus in relation to Scottish local government elections, the Local Electoral Administration and Registration Services (Scotland) Bill gives Scottish ministers the power to set and monitor performance standards for those elections. However, we have made it clear that the Executive's policy aim is to bring the procedures for local government elections into line with the procedures for Scottish Parliament elections, with which they are combined. We believe that the performance standards must be relevant to the responsibilities of the returning officer and compatible with the standards that the Electoral Commission will produce for Scottish Parliament and Westminster elections.

We believe that giving ministers the power to amend the standards and mirror changes that the Electoral Commission makes is the correct approach. It will give us the flexibility to ensure that, in combined elections, both elections are conducted to the same standards. As for the likely content of the standards, the Electoral Commission has made it clear that, in partnership with KPMG, it has started to define what constitutes an excellent electoral service. That work will be the basis for the performance standards that the Electoral Commission is likely to be asked to produce.

I understand the Parliament's wish to engage with the process that the Electoral Commission and ministers will undertake to produce the standards and I am happy to ensure that the Parliament and, of course, the Local Government and Transport Committee are involved.

I emphasise again that the standards for returning officers in Scottish local government elections must be relevant to their responsibilities and compatible with the standards that the Electoral Commission will produce for Scottish Parliament and Westminster elections. They will therefore be the product of extensive consultation with electoral administrators and their key purpose will be to improve the effectiveness of electoral services through the sharing of best practice.

The committee has discussed access to documents and the possibility of electronic counting. Any legislative provisions to govern the introduction of e-counting would have to be contained in the election rules under section 3 of the Local Governance (Scotland) Act 2004. I make it clear that the current election rules require returning officers to give counting agents

"all such reasonable facilities for overseeing the proceedings, and all such information with respect to them, as he can give them consistently with the orderly conduct of the proceedings and the discharge of his duties in connection with them."

We have no intention of changing that, and nothing in the bill would impact upon it. I should also say that no final decisions have yet been taken about whether to go ahead with e-counting in May 2007. We hope soon to be in a position to make a decision on whether to proceed.

The committee has focused on preventing electoral fraud. Neither the Scottish Executive nor the UK Government believes that electoral malpractice is widespread. However, any electoral system is capable of improvement, and there are issues that have arisen during the course of recent elections that may have had an impact on public confidence in the system. The bill therefore introduces new offences in relation to absent voting and strengthens the law in other areas. The new offences are intended to increase the deterrent factor and to clarify the law on absent voting. Those offences mirror new offence provisions in the UK Electoral Administration Bill and have been developed in response to the Electoral Commission recommendations. It will be clearer that certain acts in relation to applications for absent votes constitute serious criminal offences and can attract prison sentences. Although it may have been possible for similar acts to be prosecuted under legal provisions such as the law of forgery, recent cases in Birmingham and Blackburn have highlighted the importance of clarifying the law in that area.

I have attempted to address some of the concerns that have been raised by the committee, but I and my officials will be happy to answer any questions that members may have. I would also like to say a few sentences later about registration, under part 2 of the bill.

**Michael McMahon (Hamilton North and Bellshill) (Lab):** We have always been aware during our consideration of the bill that there is parallel legislation at Westminster. Would you like to advise us of any changes that have taken place as the legislation has gone through the UK Parliament that have had an impact on what the Scottish Executive has had to do in relation to the bill that we are considering?

**George Lyon:** A couple of amendments to the Westminster bill have been proposed. Russell Bain will update members on those amendments, which have arisen in the past few weeks, and bring the committee up to speed.

**Russell Bain (Scottish Executive Finance and Central Services Department):** The Electoral Administration Bill has just entered the House of Lords, which will consider it in committee. There are a number of small changes that we would be looking to replicate at stage 2, but they are quite technical. A slightly more substantive provision is the description of an independent candidate—we would seek to

replicate that in secondary legislation—which has been changed slightly. That has a consequential effect on our bill, so we will lodge an amendment on that. We are monitoring all the provisions in the UK bill to see where the changes are likely to occur, but we would like to wait and see how the UK Parliament reacts to those proposed changes and whether it accepts them. Ministers will then take a view on whether they want to mirror any changes that are relevant here.

**Michael McMahon:** In your discussions with the Department of Constitutional Affairs, have you raised any issues that have arisen during our consultation that you would like to lead to changes at Westminster so that the two sets of legislation are compatible?

**George Lyon:** No, there are no such issues. We have engaged not only with the UK Government but with the Electoral Commission, because 80 per cent of both the UK bill and ours is built on recommendations from the Electoral Commission. There is a good working relationship between us and the Electoral Commission. There is a fair bit of work that the Electoral Commission still has to undertake with regard to developing the code of practice and the performance standards, and we are engaging with it on those issues. I understand that Sir Neil McIntosh indicated in his evidence that he was willing to engage with the committee in developing the standards. I know that there is concern about that and that it is felt that the Parliament should have at least some input into the development of the standards, because they are quite important.

**Mr Andrew Arbuckle (Mid Scotland and Fife) (LD):** With regard to observers at elections, it has been suggested that there should be a UK-wide code of practice. If you are going to have a UK-wide code, ought not it to be included in the legislation?

**George Lyon:** The code of practice?

**Mr Arbuckle:** Yes.

14:15

**George Lyon:** That is still in development. The purpose of the provision on observers is to honour the agreements that we have with other major democracies throughout the world for allowing election observers. That is what the UK bill seeks to do and we are reflecting that in the provisions in our bill. We believe that that is the right way to guide how returning officers judge whether observers are adhering to the code of practice and whether to allow them continued access during an election.

**Mr Arbuckle:** Do you envisage penalties for any violation of the code of practice? Will it be backed up?

**George Lyon:** I envisage that the returning officer would be able to exclude observers from the proceedings if the code of practice was breached. Ultimately, the returning officer is in control of the election and it is within his power to exclude people from or grant them access to the electoral process. That will continue.

**David McLetchie:** Has any research been undertaken on e-counting? Has any assessment been made of the e-count in the tolls referendum that the City of Edinburgh Council ran in February last year? Are there any lessons from that for the possible e-counting of the Scottish Parliament and local government elections next year?

**Russell Bain:** We are aware of the e-count that took place, but there might be more value in our making a comparison with and an assessment of other examples. I am thinking particularly of the Greater London Authority elections, which have twice been electronically counted. The electorate for those elections is similar to the total number in Scotland. We have had discussions with the GLA about those counts and those discussions will continue as we consider e-counting.

**George Lyon:** Trials of the e-counting procedures have been taking place over the past three weeks in Glasgow, Edinburgh and Aberdeen. Every local authority has been invited to attend those trials and see how the procedures work. The feedback so far has been pretty positive and will feed into the decision making on whether we adopt e-counting.

We want to offer committee members the same opportunity to see for themselves how e-counting works. We intend to have another demonstration in the next six to eight weeks and we invite committee members to attend that so that they can ask questions about access, access to information, how the count works and how it will be displayed. Potential councillors and MSPs will thus have seen it for themselves if we decide to use the system.

**David McLetchie:** Is it likely that the standards that are to be set for the conduct of election counts will include a standard for how long it should take to conduct a count and deliver a result? We are all aware of wide discrepancies in performance on that between local authorities.

**George Lyon:** That will certainly be a feature of the performance standards. Early feedback on the e-counting system is that an e-count should, we hope, be much faster than a manual count. That is especially important with the count on a single transferable vote system. If we decide to opt for e-

counting, it is to be hoped that results would be announced more quickly than in the past.

**David McLetchie:** Has thought been given to how the responsibility for the public information on the new voting system for electing councils next year will be split between the Scottish Executive and returning officers? If so, how much of that burden will fall locally on returning officers? How does that fit in with the additional responsibilities and burdens that result from the bill?

**George Lyon:** As regards the responsibilities that returning officers will have, the intention is to produce guidance, especially on the STV count, because there will be issues about spoiled papers, for example. It is important that we ensure consistency throughout the country.

To ensure that people are fully up to speed on how the new system will work, we have set aside a substantial amount of money to help not only with the costs of the election, but to promote how it will work and to provide good-quality information about it to individual citizens on what to expect when they go into a polling station.

**David McLetchie:** Is that likely to take the form of a leaflet to every household, and newspaper advertisements, for example, to explain how STV will work?

**George Lyon:** That is what is envisaged, so that the maximum number of people are reached and informed and got up to speed on the new system. I suspect that there will be quite a bit of media interest as we get nearer the time. We expect the media to play its part in explaining to people exactly what will confront them when they go into the polling booth.

**The Convener:** Given the equipment that will have to be ordered for e-counting, and the staff who will have to be trained in its operation, is it possible for ministers to commit to using e-counting for the 2007 election? Is the equipment that you are considering capable of counting the results of both single-vote elections, such as the Scottish Parliament elections, and multiple-vote STV elections?

**George Lyon:** Yes, the equipment is capable of counting the results of both systems. It would not make much sense to end up counting electronically the results of one system and using a manual count for the other.

We are in a position to decide whether e-counting will work for 2007 and whether it can deliver the result that we expect. The trials and demonstrations are about ensuring that the questions that local authorities and returning officers have are answered, and that they can see how the system works and how candidates can

access information—as they can during box counting at the moment.

If we decide to go down that route, we hope to be in a position where we are comforted that the system can count the election results, is robust and can deliver the information that the candidates, their agents and those who are interested currently expect.

**Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** Section 1 of the bill says that

“The Scottish Ministers may—

(a) determine standards of performance”

and goes on to say that the standards of performance will be those that the Scottish ministers shall prescribe. However, when we asked the witnesses who have come before the committee so far what the standards of performance should be, no clear answer emerged. Would it not have been much better if you knew and could tell us exactly what the standards of performance should be as they apply to returning officers in the conduct of local government elections?

**George Lyon:** Clearly, we are talking about enabling legislation. The remit for developing the standards for the Scottish Parliament elections lies with the Electoral Commission. Although it does not have a remit with regard to local government elections, we intend to draw heavily on its advice and the standards that it develops for the parliamentary elections. It is important that standards are consistent for both elections. We believe that the provision in section 1, to which Mr Ewing referred, will allow us to mirror the Electoral Commission's recommendations to the UK Government so that we can implement them here in Scotland. I do not know whether Mr Ewing heard my introductory remarks, but I have already acknowledged that the committee is concerned to be involved in the process. I understand that Sir Neil McIntosh has offered to report back to the committee on how the standards are developing, and I am certainly willing to examine ways in which the Executive can assist that process.

**Fergus Ewing:** Is there any concern that the powers that would be conferred on ministers, which as the bill stands would be subject to no parliamentary scrutiny whatever, would introduce into elections an element of political involvement that we have never had in Scotland or the UK?

**George Lyon:** That is the reason why the committee and the Parliament should be fully engaged in developing standards. I certainly intend to ensure that the committee can access and scrutinise as much information as possible in that regard before ministers put the standards in place.

**Fergus Ewing:** I heard what you said at the beginning of the meeting, minister, and have re-read the evidence that Sir Neil McIntosh and others gave to the committee. As the bill stands, ministers will simply set the guidance, and Parliament will have no scrutiny role. Do you agree that, if engagement itself is to have any positive meaning instead of being some vague abstract noun that means whatever you want it to mean, the only acceptable way in which we can have any real engagement in the process is the orthodox way and that, in that respect, section 1 should be amended to state that the standards will be laid in a statutory instrument to give Parliament the chance to consider whether they should be approved? Is that not the only way in which Parliament can have any effective scrutiny role?

If, as I suspect, your answer to that question is not yes, will you tell us what you mean by engagement, other than allowing us to see some press release that will have been issued to the media beforehand?

**George Lyon:** I intend to ensure that the committee gets sight of the standards as they are developed. Moreover, I imagine that the committee will want to take up Sir Neil McIntosh's offer to come back and give evidence to the committee; indeed, that is how I read his evidence. I believe that that will give members quite a bit of comfort about how the standards are developing and, I hope, some input into the final decisions on their shape. I am certainly willing to facilitate that process and, once the standards are developed, to provide the committee with any further clarification on whether changes have been made. Certainly, the intention is to lift them as the Electoral Commission publishes them as recommendations for implementation.

**Fergus Ewing:** Obviously there is a slight difference between the warm words that we are hearing now and the legal duty that would be created if statutory instruments were required to be laid. Correct me if I am wrong, but I assume that you are ruling out that option.

If ministers set standards—and I suspect that we will attempt to amend the provision at stage 2 to ensure that Parliament has a formal role in scrutinising them—there will be pressure on returning officers to comply with them. Given that any standards are bound to include criteria such as cost, accuracy and the speed and conduct of the count—indeed, the whole polling day operation—does the minister, as a Liberal Democrat, not feel uneasy that local government officials will now be under pressure to respond to targets set by Scottish ministers on the conduct of elections? If not, perhaps he should be, given that returning officers might well feel under considerable pressure to respond to edicts on the

cost of elections and might be influenced in their decisions on how elections should be carried out, particularly with regard to the length of time that counts can take. Indeed, returning officers might even decline to do things that they might do otherwise and thereby risk the role's impartial nature, which I have always taken to be a fundamental constitutional principle beloved of Liberal Democrats everywhere.

14:30

**George Lyon:** I am sure that that principle is still beloved.

Mr Ewing, you are obviously very sceptical about the process. However, you should be reassured by the fact that the Electoral Commission will develop the performance standards. If you are calling into question the Electoral Commission's independence in carrying out that work, that is quite a leap in your position. I certainly have great confidence in the Electoral Commission's ability independently to develop the proper performance standards. It is our intention to mirror its recommendations exactly and to implement them, and the mechanism that we have chosen for doing that is quite clear.

**Fergus Ewing:** Finally, I would like to pick up a point made by Mr O'Neill from the Electoral Commission, that it is starting to think about the performance standards and that it has sought a consultants' report from KPMG, which I believe is a firm of accountants. Is it KPMG that is, in fact, going to dictate what Scots law will be, rather than the Scottish ministers?

**George Lyon:** That is a question that you would need to put to the Electoral Commission, Mr Ewing.

**The Convener:** Sylvia Jackson wants to ask a brief supplementary question.

**Dr Sylvia Jackson (Stirling) (Lab):** It is just a point of clarification. Fergus Ewing is raising issues about the performance standards as if they are something new or something that we might not like in future. However, I remember that the Subordinate Legislation Committee raised issues with the minister, particularly about how the standards might come back to Parliament and whether they should. The main thrust of the minister's response was that the aim of the exercise was consistency across the board at UK level. I would have thought that that would reassure Fergus Ewing about what will happen in that process. Do you agree with that, minister?

**George Lyon:** Yes, consistency is the key point. When the returning officer will be presiding over two elections on the same day, it is important that the performance standards are applicable to both

and are consistent across the piece. That is why we have chosen to go down that route and why we will adopt the recommendations that the Electoral Commission makes. The commission is the independent body that has been set up and charged with that role, and quite rightly so.

**Paul Martin (Glasgow Springburn) (Lab):** I would like to ask the minister two separate questions, the first of which relates to representations from the Society of Local Authority Chief Executives and Senior Managers, which expressed concerns about the administration of local council elections and Scottish Parliament elections' being held on the same day. What are your views on the concerns that SOLACE raised?

**George Lyon:** I read with interest the evidence that SOLACE gave, but we believe that holding the elections on the same day is the correct way to proceed. That has been our position on the matter for quite some time.

**Paul Martin:** Are you quite clear that the Scottish Executive is committed to putting in place resources and that the will exists in local government to ensure that the elections can take place?

**George Lyon:** Yes. As I said, we have set aside a budget to help local authorities to meet the cost of the elections and to ensure that proper information is given to the electorate and to individual citizens about what the new system will mean to them. There is a substantial budget in our spending plans to assist with both those key objectives.

**Paul Martin:** On a separate issue, why is there no reference in the Local Electoral Administration and Registration Services (Scotland) Bill to improving barrier-free access for people who currently experience difficulties at polling stations? Why are we not legislating to ensure that there are more effective means for people to access voting?

**George Lyon:** We are aware of Capability Scotland's concerns on that matter and are discussing with it how we might address them. We will continue to work with it to ensure that they are addressed.

**Paul Martin:** Does the Executive have any proposals for amendments to the bill or for guidelines to ensure that there is a more robust system? I think that you will accept from the "Polls Apart 4 Scotland" report and from our own electoral experiences over the years that access to polling stations is still a major problem, as is the promotion of postal votes. Perhaps local government could be more effective in promoting postal votes.

**George Lyon:** Access is clearly important, but we do not need legislation to address it; rather, we

need to engage with local authorities and other relevant bodies to ensure that we address the concerns that they have raised with us. We are taking steps to ensure that we widen access as much as possible. I am sure that Russell Bain will want to give details of some of the actions that we are taking on that.

**Russell Bain:** We will include a number of the issues that Capability Scotland has raised in the secondary legislation for the local government election rules. For example, Capability Scotland highlighted the fact that the UK bill contains provisions for a hand-held copy of a large-print ballot paper; we can cover that in the local government election rules. We will seek to widen access where possible.

**Paul Martin:** Are you looking to engage with local government officers to ensure that a more robust system is in place to secure access for people who currently have difficulties accessing elections? Under the current regime, it is thought that a ramp is sufficient to provide access. However, we know from experience that we have to ensure that doorways are sufficiently wide and take account of other difficulties that people experience. Will robust discussions take place before the 2007 elections to ensure that those issues are dealt with?

**George Lyon:** I reassure Paul Martin that we will engage with local authorities to ensure that the concerns that he has expressed are genuinely tackled and that everything possible is done to ensure that polling stations are as accessible as possible.

**Bruce Crawford (Mid Scotland and Fife) (SNP):** I return to the fact that the council elections will be held on the same day as the Scottish Parliament elections in 2007. The Arbuthnott commission, which considered the matter from a different angle, recommended that the elections be decoupled because of the potential for confusion, but you have confirmed to us today that you do not intend to decouple them. To pick up on the point that Paul Martin made, there seems to be potential for confusion. The Society of Local Authority Lawyers and Administrators in Scotland is concerned about the preparation of the new and amended Scottish local election rules that are required to implement the single transferable vote system, and about the criticality of passing the rules and the bill in time for its members to be able to prepare. Also, the Association of Electoral Administrators tells us that because a number of local government election activities cannot be combined with those from another poll, the full cost of the activities will fall on councils. The association has listed a number of such areas in written evidence.

Are you absolutely confident that the issues that SOLAR has raised can be overcome? Is your decision not to decouple the elections right? What work has gone on to quantify the additional cost that will land on councils as a result of the changes? The Association of Electoral Administrators is signalling clearly that there will be additional costs, so the committee needs to be sure not only that the Executive is able to deal with the additional costs for which it is responsible but that local government can deal with the additional costs that it will have to bear. How has that cost been quantified? How much is it and how are you dealing with it?

**George Lyon:** As I said in my previous responses, a substantial budget is set aside in our spending plans to deal with that matter and we will engage with local authorities on meeting some of the costs that they believe they will incur under STV. If we decide to go for e-counting, that will involve costs and the spending plans have taken that into account.

We are in the process of working up election rules, which will be conjoined with Scottish Parliament election rules that have been worked up by the UK Government and will be the subject of a combined election order that will be laid at Westminster. I believe that the timescale—

**Russell Bain:** Our intention is to have the local government election rules ready for the parliamentary process before the summer recess. That fits in with the combined election order, which will be laid at Westminster before the summer recess.

**George Lyon:** As for the other issues that must be addressed to ensure that the election takes place and that all the challenges that local government will face are taken into account, we are confident that we are on track to deliver in May 2007 a successful new combined election and that resources will be available to meet its costs and needs.

**Bruce Crawford:** I want to tease this out a little. If you know that the resources will be available, you must be able to quantify the additional funding that local government will require. Have you got any figures for that?

**George Lyon:** We are still discussing the matter with local government. As I have said, we still have to decide whether to go ahead with e-counting, which will obviously have a knock-on effect on our discussions about costs. Those matters are being discussed as we begin to firm up our plans. I assure the committee that, in our spending plans, we have set aside a budget to deal with the matter, and that money will be drawn down both when the election begins to gear up and when it has been completed.

**Bruce Crawford:** I, for one, would find it useful if you could write to us with the details of the budget that has been set aside and, when you find out the figures, if you could quantify the additional funding that will be available, particularly for local government. The fact that you say that the resources will be available, even though you do not yet know the full costs, makes me slightly nervous.

**George Lyon:** As I pointed out, we still have to take decisions that will impact on costs. It is difficult to put the cart before the horse in that regard.

**The Convener:** I appreciate that you cannot be precise about costs, because much of the issue depends on whether e-counting is introduced, and I realise that there is a broad range of arguments over the question whether both elections should be held on the same day. However, it seems reasonable to conclude that holding elections on the same day will cost less than holding them on different days.

**George Lyon:** That is a fair point. Given the time and resources that will be involved, e-counting might well reduce the costs of the elections. Other costs, such as the equipment that will be required and so on, will obviously increase. However, as I said, your point is well made.

**Dr Jackson:** I am sorry, convener, but I was late for the meeting. Have we dealt with section 4, on access to documents?

**The Convener:** Partly, I think.

**Dr Jackson:** As the minister knows, the Subordinate Legislation Committee took the view that certain conditions, such as the use of information for commercial purposes, ought to be included in the bill. The Executive's response was that the intention behind the use of restrictions was to limit the use of information to electoral or related purposes and that it is not possible to provide a comprehensive list of circumstances because those might evolve over time. When the Subordinate Legislation Committee asked the Executive that question initially, the answer was not very clear about any of the circumstances that might arise. Do you have any more information about section 4 and any response to the Subordinate Legislation Committee's concerns?

**Russell Bain:** Section 4 is intended to provide a scheme for overall access to documents that will be much the same as the current scheme for accessing the electoral register, which is set out in the Representation of the People (Scotland) (Amendment) Regulations 2002 (SI 2002/1872). The regulations, which are pretty extensive, specify that copies of the register should be made available to the Office of National Statistics for statistical purposes, with subsequent regulations

governing the use of that information and whether it can be supplied further.

14:45

Provision is also made for law enforcement agencies to have access to the register and for bodies such as the National Library of Scotland to have access in certain circumstances. The idea is to provide clear guidelines on who may access such information and thereby to exclude groups that do not have a particular right to access. The regulations make it clear that candidates, political parties and others may access the information for electoral purposes. We can, by considering the level of detail in those regulations, get a clear picture of the sort of scheme that we envisage being in place for access to the election documents that the new provisions in sections 4, 5 and 6 govern.

**Dr Jackson:** So, basically, you do not think that there is any reason for specific provisions to be included in the bill.

**Russell Bain:** If we were to follow the current model, we would not seek to include other provisions in the bill. The current model is clear about who may or may not have access to information, and about the purposes for which access might be allowed. The inclusion of provisions in the bill would make it more difficult to describe properly the access that people should have. I know that the Subordinate Legislation Committee raised the issue, but the current scheme for access to the full register is a good guide to the scheme that we envisage being in place.

**The Convener:** That concludes our questions on the electoral administration aspects of the bill. Before we address its registration aspects, I will allow the minister to change his team.

I welcome Paul Parr, Alex White and Graham Fisher, who will support the minister as we discuss part 2 of the bill. The minister said that he had something to say about part 2, so I will allow him to make some remarks before our question-and-answer session.

**George Lyon:** The provisions in part 2 of the bill aim to modernise and improve the registration service. In particular, they take advantage of advances in information technology and will make it possible to offer new and more efficient services; for example, there is the option of e-registration in addition to face-to-face registration, which will give the public more choice and will meet their expectation to be able to do business electronically. Electronic notification of events to third parties will reduce the burden for members of the public, who currently have to do that for themselves. That will also be a new and potentially

significant source of fee income for local authorities and—because we think that it will be popular with the public—it should help to mitigate reductions in fee incomes from a downturn in the sale of extracts. Local authorities raised that concern in their evidence.

The traditional arrangements for sharing information will continue, but new electronic means of sharing information will mean that it can be shared more quickly. As an alternative to a third party or Government body requesting a bulk search of the registers, it will be possible to provide the information electronically and automatically. Such bodies may not require all the information that is currently provided on a register page, so the new service will tailor the information to meet their needs. The creation of local family-history centres, which will be made possible by online access to the whole public genealogical database of Scotland's people, is another potential new source of fee income.

On allowing deacons to solemnise marriages, which the Church of Scotland raised, the registrar general has already authorised all the Church's deacons under existing legislation and he is discussing with the Church the identification of a suitable legislative opportunity to provide for specific reference to be made to deacons in statute, in the same way that statute refers to ministers.

In conclusion, I hope that it is clear to the committee that the bill aims to improve access to and participation in elections, to enhance security, to improve electoral administrative effectiveness, and to provide a high-quality, modern and efficient registration service. Representatives of the General Register Office for Scotland and I are happy to answer questions. Mr Parr will answer questions on details.

**The Convener:** It might be useful for members if I mention the solemnisation of marriages by deacons of the Church of Scotland, to which the minister referred. The guidance from the clerks is that such an amendment would be outwith the bill's scope. I say that for members' information, but I note the minister's comment that the Executive is looking for alternative ways to make that reform in statute.

**David McLetchie:** I will ask about abbreviated death certificates. I recall from my time dealing with estates that the person who registers a death is provided with an abbreviated certificate—a green certificate—for the purpose of notifying what was the Department of Social Security, now the Department for Work and Pensions, of the death of a pensioner. I believe that that information is also transmitted to other public sector pension bodies, such as the national health service pension scheme administrator. A full extract is

additional to that certificate. What will the proposed abbreviated death certificate achieve that what I call the green death certificate—the original abbreviated certificate—and the full extract do not achieve?

**Paul Parr (General Register Office for Scotland):** The green document to which Mr McLetchie refers is not a certificate; it is an information form that is given to the informant of a death to allow him or her to notify the Department for Work and Pensions of a death. It does not stand as an official extract, unlike a full extract or the proposed abbreviated extract.

On a death, the informant is given two free documents: the green form that helps them to notify the Department for Work and Pensions and a form that allows for disposal of the body. That is all. If the deceased's relative wants to check with a bank about releasing money into the estate or to deal with an insurance company, they do that with an official extract from the register of deaths, which can at present take the form only of a full extract that details all the deceased's particulars, including the cause of death.

It is reasonable that some people would like to have an abbreviated extract for two reasons. If the extract is given free, it will benefit a person who might not have much money or have an insurance policy on the deceased but who might need to close the deceased's Post Office account or bank account and transmit the funds into the deceased's estate. All that a bank or building society needs is official proof of a death. An abbreviated death certificate could help in that circumstance and prevent embarrassment if the deceased's relatives felt uncomfortable with the cause of death.

We want to mirror what we do for births. When an informant gives a registrar details of a birth, the registrar issues a free abbreviated birth certificate in all circumstances. That gives the informant official proof of the birth without having to purchase an extract at £8.50 from the registrar. It is reasonable to mirror that and to make that provision universal, so that people have a general expectation that a free abbreviated death certificate will be given in all circumstances. That would not highlight the fact that an abbreviated death certificate might be issued because of suspicion about or discomfort over the cause of death. A free abbreviated certificate will give people who do not have a great deal of money official proof of the death, which they can use to release money from a bank, building society or Post Office account. It would not replace the green form or the form that is given to the undertaker for disposal of a body because those would already have been completed, nor would it replace existing schemes that allow the council tax registration

officer or the electoral registration officer at the local authority to be informed. The local registrar does those tasks automatically.

**David McLetchie:** Under the new scheme, what legal purpose is not served by an abbreviated certificate that will still require a full certificate?

**Paul Parr:** A full certificate would probably be required for an insurance company, because it would be interested in the cause of death in case the cause invoked an exclusion in the policy. The abbreviated certificate would give the immediate particulars of the person concerned and the date of death, but not the cause of death or any of the other information that is collected at the time of registration, such as the parenthood and so on of the deceased person. We would prescribe the information that would be included by regulation and would enter into negotiations with the local authorities and the Association of Registrars of Scotland on the format of the certificate.

**David McLetchie:** On the notification of third parties such as banks and insurance companies, if the registrar were to do such notification for a fee, to whom would the bank or insurance company respond on receipt of the notification?

**Paul Parr:** I presume that you are referring to the new power that we take in the bill to allow notification of certain bodies. The process is that an informant in a birth or a death would sit with the registrar and would be shown on the registrar's computer a menu of the bodies—including third parties—that could be informed of the birth or death. The registrar and the informant would go through a tick list to check which bodies should be informed of the event and the registrar would hit a "submit" button. Behind the scenes, the General Register Office for Scotland would do the work electronically. The fee would go to the local registrar because he would be doing the work at that time. If there was any question about the receipt of the information or its accuracy, that would arise with us in the General Register Office, not with the local authority registrar.

**David McLetchie:** Suppose that the registrar notifies Standard Life insurance company, for example, that a person whose life is insured under an insurance policy is dead. What would Standard Life do with such notification?

**Paul Parr:** It would do what it does now when it is presented with a death extract; it would treat the notification as evidence of the fact that the death had occurred. I assume that the insurance company would be reacting to someone's making a claim on it as a result of a policy that is held for them. The company might check the name against its list of policyholders.

**David McLetchie:** That is the point that I am coming to. What usually happens under the

current arrangements is that the executors of the deceased intimate the death by giving an extract death certificate to Standard Life, which then responds to the executors, or the lawyers acting for the executors, by sending the appropriate claim forms for completion to enable the policy proceeds to be paid out into the estate. It is necessary to write to the insurance company to intimate who the executors are and to get the relevant claim forms and it is then necessary to fill in the claim forms and submit them to the insurance company. None of that will be done by the registrar. Therefore, what is the point of paying for a notification service through the registrar? What will that achieve that does not have to be done anyway as a further link in the process? What is the value of the notification service?

**Paul Parr:** The value is that one transaction with the registrar will allow a range of authorities or bodies to be informed of the death, which will prevent the informant from having to purchase several death extracts to trawl around organisations with. It will save the informant time, effort and travel and will ensure that the information comes direct from an authoritative source to the recipient, so there will be no possibility of interference with the information between the General Register Office's system and the system at Standard Life, for example.

15:00

The nature of an extract is such that it is official proof of the event. We take certain security measures in producing those documents, but no paper-based system is entirely fraud proof or foolproof, and there is always the possibility of some intervention. A direct electronic communication sent securely from the General Register Office for Scotland to Standard Life, to use the example that Mr McLetchie chose, would mitigate or reduce the risk of interference or fraud. The effect would be twofold; it would reduce the burden on the person who has to trawl round several banks, building societies and solicitors with documents, and it would ensure a more direct and secure transmission of information.

**David McLetchie:** There would still be follow-up correspondence anyway.

**Paul Parr:** There would be some correspondence, but let me give you a parallel example: the pilot that we are working on with the Student Awards Agency for Scotland. The agency had difficulty in handling not only applicants' forms but their birth certificates—receiving them, holding them securely and ensuring that each certificate was returned safely to the correct student. However, all those difficulties fade into the mist if the agency gets a direct transmission from the

General Register Office for Scotland to confirm that a grant applicant was born on a certain date.

**David McLetchie:** Yes, but that is an ex post facto thing. That is basically verifying the claim that Mr X was born 18 years ago. I am talking not about a verification service, such as the SAAS example, but about a service of contemporaneous notification that is required as part of the legal processes that follow a death. That is a completely different thing, is it not?

**Paul Parr:** It is not contemporaneous, although the time differential is not large. The death obviously has to have happened and have been registered to allow the notification of the bank or building society to happen, so it is reporting on an historical event, even though it is not greatly historical.

**David McLetchie:** I can see the value in the second example, in relation to the students, because people lose their birth certificates and so on, and the service reduces paper handling. However, given that there are many other paper stages in the process that follows a death registration, I find it difficult to see the enhancement value of the new service, as all the other costs will still be incurred and time will still be needed for notification and for filling in and submitting forms. That is all going to happen anyway, so I do not quite see where the value to the public is with that service.

**Paul Parr:** I have explained what I think the value is. First, people do not have to buy so many extracts or trawl them around so many organisations along with the other paperwork. If organisations start to change their own administrative systems to fit in with the service that we offer, that may over time reduce the whole burden on the relatives of the deceased person. It is not the responsibility of our office to dictate to Standard Life, or to any other body of that ilk, how it should change its procedures, but we are seeding the field with a mechanism that would allow that.

**David McLetchie:** So, if Standard Life is told electronically, "Mr X is dead," it would simply record that fact and do nothing further, having received an electronic secure notification of his death. It would still be up to the executors, relatives or next of kin of Mr X to go to Standard Life and say, "By the way, my father's died." In other words, they still have to go to all those offices, have they not?

**Paul Parr:** They still have at least to contact any company that makes a payment in connection with Mr X's estate, but they do not have to provide companies with an extract.

**David McLetchie:** Your point was that your service would save them time, but it does not save

them time if they still have to go along and identify themselves as next of kin or as an executor. At the moment, they have to do that and they have to present the death certificate, so the new service does not save them any time at all. All that is happening is that there will be electronic certification of the death, whereas under the present system they must physically hand over an extract death certificate. Is that not the case?

**Paul Parr:** Certainly, under the present system, it is necessary to hand over an extract. That is the only legal proof of a death.

**David McLetchie:** So no notification time will be saved on the part of the relative.

**Paul Parr:** Well—

**George Lyon:** I think that the point that David McLetchie is making is that if there is no added value, there will be no reduction in lawyers' fees because people will still have to go back to the executor, in which case no one will use the system.

**David McLetchie:** I see no point in introducing a system or service that is of limited value. I have yet to hear an explanation of the value of the new service.

**George Lyon:** I think that the point that you are making is that no one will use the service.

**David McLetchie:** Indeed, but the issue then becomes one of whether people will have false expectations of the worth of a service that they are having to pay for and which, in the end, will not save them time or cost. That is my point.

**Paul Parr:** It may save them some cost. Instead of perhaps purchasing more than one extract, they will pay one single fee.

**David McLetchie:** But does the bill not propose a fee per notification?

**Paul Parr:** We have to specify the fee in secondary legislation. We intend to set a fee that is attractive to the customer.

**David McLetchie:** Frankly, given the limited value of the service, it would be a good idea for it to be free.

**The Convener:** We will move on. You have so far failed to convince Mr McLetchie on that aspect of the bill.

**Michael McMahon:** I thought that you would be getting a death certificate for me, convener; I was losing the will to live there.

During the consultation on the bill, a general consensus emerged that the coterminosity of local authority and registration district areas is a good idea. However, the trade unions raised the concern that coterminosity might lead to the

closure of some offices, which could obviously result in job losses. Have you done an analysis of that potential outcome? Do you share the trade unions' concerns on the matter? If not, can you reassure them that their fears are unfounded?

**George Lyon:** I understand the general concern that the trade unions and others have raised. In my introductory remarks, I made the point that we believe that other benefits will arise from the introduction of the services. We believe that the new services will at least balance out the reduction in income that may result from the changes in registration services. Indeed, we also believe that local registration offices should have the opportunity to bring in other fee income from the extra services that they will offer. At present, those offices cannot access the central database, which means that people who are looking for information on their ancestors or making other genealogical searches always have to come to the centre to get that information. The bill proposal is for those services to be made available locally. I hope that that will bring in extra business to the local authorities.

Although there is the potential for a reduction in service, there are also opportunities. If there are instances of a reduction in service, it would be up to the local authority to resolve it. An authority may use job sharing, which goes on at present given that this element is a small part of the job. Our general view is that there is enough opportunity to balance out any reduction.

**Michael McMahon:** If we go for coterminosity, do you believe that the bill provisions are sufficient to allow changes in registration district boundaries to reflect any future local authority boundary changes?

**George Lyon:** Yes, we believe that the bill takes care of that. We can deal with that eventuality.

**Paul Parr:** The member mentioned the effect that boundary changes could have on jobs. In the past, 22 of the 32 local authorities have made use of the provisions in the 1965 act to rearrange their boundaries. The process is slightly laborious and I will not bore you with details of the various stages. However, among the 22 local authorities that now have what is, in essence, a single local authority area for their registration service, only two offices closed. Both were in one local authority area and both were within 3 miles of existing offices. People were not denied the registration service and I understand that there were no job losses.

**Bruce Crawford:** I want to go back to the issue of who can solemnise a marriage, because I remain to be persuaded why it cannot fit in the bill. The Church of Scotland wants both ministers and deacons to be able to solemnise marriages. The bill says that it will

"amend the law in relation to ... procedure in relation to marriages and civil partnerships".

Bits of the bill amend the 1965 act; a fair number of bits of the bill amend the Marriage (Scotland) Act 1977, section 8 of which covers solemnisation of marriage, I believe; and some bits of the bill amend the Civil Partnership Act 2004. The 1977 act is amended as regards marriage at sea to allow the solemnisation of marriage in Scottish waters. If you can use enough imagination to cover marriage at sea in the bill, I find it hard to understand why you cannot make a simple change so that a deacon of the Church of Scotland may solemnise a marriage. It may be that marriage at sea is a civil process and not a church process.

The church has amended its own laws to try to deal with this issue and we should try to go a wee bit further to see whether we can make a change. It might be technically impossible; if so, I am sure that the minister will tell me why. At first sight, it is difficult to understand.

**George Lyon:** We are aware of the issue. Under his general powers, the registrar general can and does allow deacons to solemnise marriages. We know that the Church of Scotland would like the arrangement to be on a firmer footing, and we are in discussion with the church to find an appropriate way of doing that.

As the convener has said, the bill is quite narrowly drawn and is about the nuts and bolts of improving the registration service. The issue that you raise is therefore outwith the scope of the bill. However, I assure you that we are in discussion with the church on how we can put the arrangement on a firmer footing. It is important to emphasise that deacons can continue to solemnise marriages under the current powers.

**Bruce Crawford:** I understand that and I appreciate what you say, but when I consider the minutiae in the bill—for example, in section 40, "Marriage procedure: miscellaneous amendments", or in section 41, "Marriage procedure: electronic communications"—it is difficult to understand why other measures are outwith the scope of the bill. Will you give me a more technical reason why this particular measure is outwith the scope of the bill?

**George Lyon:** The advice that I gave on the scope of the bill came from the committee clerks and the lawyers of the Parliament.

**Bruce Crawford:** Well, that does not help me very much. Are you telling me that I have to go back to them? Do your officials have a view on this issue?

**George Lyon:** As I say, I am not a lawyer. I have been told that the issue is outwith the scope

of the bill. The clerks have confirmed that. That is the position, but I have assured the committee that we are engaging with the Church of Scotland to ensure that we can find a suitable vehicle to address its concerns.

**The Convener:** I have circulated to members a letter outlining the advice that I have received. If it would be helpful, I can certainly discuss with the clerks whether we can supply more technical information on the issue that Bruce Crawford has raised.

**Bruce Crawford:** I am most grateful, convener. That would help the church to understand better as well.

**Graham Fisher (Scottish Executive Legal and Parliamentary Services):** It might be useful for the committee to know that, as the Church of Scotland representatives may have mentioned, the view was taken in discussion with the Parliament that no particular element of registration is connected with the solemnisation of marriage by deacons. It could certainly be the Executive's view that that is a solemnisation issue and nothing else.

15:15

**Fergus Ewing:** You say that that could be the Executive's view, but is it the Executive's view? What is the Executive's view?

**Graham Fisher:** That is the view that was taken by the Executive in discussion with the parliamentary authorities.

**Fergus Ewing:** I have received the note from the clerks. I look forward to receiving justification because I do not understand why we cannot interpret the bill's long title, which sets out what the bill purports to do, in a slightly less restrictive way. After all, the bill says that civil partnership procedures can be conducted at sea, so surely we can accommodate the Church of Scotland in a way that everyone at the table would support and no member of Parliament would oppose. Given the bill's rubric, it seems to me that the Executive—for reasons that I do not understand—has taken an extraordinarily restrictive view. Mr Fisher referred to solemnisation, but that is not mentioned in the long title.

There are two headings under which the Church of Scotland's modest proposal, which would cause no harm to anyone and might well ease expense and smooth the flow of arrangements for weddings, could be dealt with. The bill intends

“to reorganise local registration services”

and to amend

“the procedure in relation to marriages and civil partnerships”.

I would have thought that to say that the way in which a marriage is conducted is not part of the procedure is a pedantic and somewhat legal distinction. I am puzzled about why the minister cannot just overrule his civil servants. Everyone is in favour of the Church of Scotland's proposal. The registrar general is indulging in what the Church of Scotland appropriately describes as “ad hocery”, which involves spending extra money and wasting cash. Just for once, will you overrule your civil servants?

**George Lyon:** I will certainly examine what you and other members have said on the matter.

**Dr Jackson:** I want to ask about e-registration. What discussion have you had with GRO Scotland about testing and the training of registration staff? In an earlier evidence session, linkage with other databases and computer systems, notably in the NHS, was mentioned. How is that going? The last time that we asked, it did not seem that much progress was being made.

**Paul Parr:** I will deal with your second point first. In the evidence that we gave on 17 January, we said that we were in discussions with the Scottish Executive Health Department. Those discussions are continuing. The procedures in the bill will require health boards to provide the registrar general with information about births and deaths. That builds on the existing duties under the 1965 act. We want to use those provisions, together with the e-registration provisions, to enable the Health Department to inform the registrar general of births and deaths as and when they occur.

I will give an example of that. An ideal way of passing on information on births to the registrar general that we are exploring with the Health Department is to use the community health index number, which everyone has. CHI numbers are being used more often in the health service. In the event of a birth happening, the CHI number would be communicated to the registrar general and we would populate that on our database, which would allow the local registrar to perform a check to ensure that the person who registered the birth registered the correct birth. We are working on that system with the Health Department and later on in the year we hope to trial it with one health board and one local authority—they have not yet been decided on. The intention is to use that trial as a platform for implementing e-registration, which will happen in 2008, at the earliest.

**Dr Jackson:** I take it that the training would happen after you have done the testing.

**Paul Parr:** Exactly. We have responsibility for facilitating the training of registrars at the moment. Although the registrars are employed by local authorities and receive most of their training on the procedure of registration from the local authorities,

it is done to our instructions. In particular, we provide a handbook for registrars that sets the processes out. We also provide distance learning packs and training compact discs and have a trainers forum that facilitates the training of registrars. We would employ all those resources to focus not only on e-registration but on linking with the health service database, which would be a useful tool for face-to-face registration as well as for e-registration.

**The Convener:** That brings us to the end of questions on this item. I thank the minister and both of the panels of officials who supported him.

## Freight Transport Inquiry

15:22

**The Convener:** Our next agenda item is the first evidence-taking session in the inquiry into freight transport in Scotland that the committee recently agreed to undertake. Today we will have two panels of witnesses.

I welcome the first panel: Alan Mitchell, the assistant director of the Confederation of British Industry Scotland; Julia Williams, the category manager, UK logistics, for Diageo; and Peter Smith, the head of corporate relations for Diageo. I give the witnesses the opportunity to make some introductory remarks. I do not know whether both organisations wish to make introductory remarks or whether they have decided on one person to do so.

**Alan Mitchell (Confederation of British Industry Scotland):** I have no detailed introductory remarks to make other than to say that I am delighted to be here and look forward to having an opportunity to help the committee to answer some of the important questions about how to create the best way forward for an important industry for Scotland.

**Peter Smith (Diageo):** Diageo is a significant creator of freight and, although all our transport is contracted out, we are cognisant of the fact that we are major road users. As a major freight user, we are happy to give committee members an opportunity to ask any questions that they might have on our operation and to give the committee a flavour of it.

**Paul Martin:** We have received representations on the logistics of rail freight and its provision to organisations such as Diageo. What is your experience of trying to arrange rail freight at the coal face?

**Peter Smith:** We have been working with our haulage contractors to try to transfer as much road freight as possible on to rail. For example, in the past year, we have run a pilot that has increased our rail freight transport by 10 per cent and eased congestion on the Kingston bridge.

We have major whisky warehouse operations in central Scotland and a lot of spirits are transferred to our packaging plants in the west of Scotland—I am thinking about those in Kilmarnock and Shieldhall in Glasgow in particular. We export to around 180 markets, and Grangemouth is our main port for doing so. Two major shipments will potentially take place—across the Kingston bridge, which is one of the major pinchpoints in Scotland, and on the M8. We have worked with our hauliers to try to transfer freight in several different ways.

We have tried to increase night-shift working, to extend the periods in which we can move freight in order to ease pressures during the day and to transfer freight to rail. An operation that runs from Linwood to Grangemouth has proved to be quite effective. We consider any opportunities.

**Paul Martin:** Does the rail industry co-operate with you as you would expect it to?

**Peter Smith:** We certainly receive a lot of co-operation from our haulage contractors, who are keen to invest because they see the benefits of doing so.

**Julia Williams (Diageo):** The challenge for us is the rail network. We move a significant amount of containerised volume—I am talking about probably around 500 or 600 containers every month on average—from Scotland to our warehouse in Daventry, which is near Birmingham. There is a fairly established rail network for us from Scotland to England, but the challenge is to try to find such a network across Scotland.

Whether we receive a lot of co-operation from the rail industry is hard to say because we have only started to explore the opportunities that exist. It is hard to judge the level of co-operation from the rail operators when there is no rail network as such on which to move freight around.

**Paul Martin:** What cost differences are involved between transporting freight by rail and transporting it by road?

**Julia Williams:** The difference depends on the journey that is involved. The shorter the journey, the less the cost difference will be. Roughly, the cost of transporting freight by rail will be around two thirds of transporting it by road, but the difference will depend on the journey times and transfers to and from the railhead at each end of the journey.

**Bruce Crawford:** I thank the organisations for their interesting submissions to the committee. In its submission, CBI Scotland stated:

"Over 70% of Scottish firms sell more than half of their goods/services in Scotland."

That sentence particularly stood out. That might seem reasonable, but what CBI Scotland has said is worrying because it shows that the decline in manufactured exports impacts significantly on our haulage industry. Before I proceed, am I right to assert that? If I am wrong, my line of questioning might be a bit dubious. Will you confirm that what I have said is correct?

**Alan Mitchell:** As Scotland's manufacturing base, including its export manufacturing base, declines, we think that there will naturally be knock-on effects for road haulage due to the lower volume of goods that is transported.

**Bruce Crawford:** There are obvious things, such as the high fuel duty, that the Scottish Parliament cannot influence. We can make a bit of an impact on European Community directives, although perhaps not as much of an impact as the United Kingdom Government can make.

I want to ask about achieving an upturn in manufactured exports, which would increase the level of haulage that is available from Scotland to continental Europe in particular. What are the key things that the CBI and Diageo would like to be put in place that could help to support an increase in exports of manufactured goods—which obviously contribute to the overall Scottish economy—which consequently might bring a bit more life into the haulage industry? The industry is finding things pretty tough at the moment.

**Peter Smith:** One issue that we have been keen to discuss and promote is deep-sea access. Comments have been made about transport within Scotland, but around 85 to 90 per cent of what we produce in Scotland is exported overseas. Currently, our exports go either by rail from Grangemouth down to the south of England or in feeder ships from Grangemouth to Rotterdam to be dispatched globally. If the proposed deep-sea access at Hunterston were available, that would be of major benefit to us. However, all the ancillary services would be needed.

We hear the haulage industry's concerns about high fuel costs, which you mentioned and which are an issue for us. We operate an open-book policy with our suppliers and many of those costs are transferred to us—we share them. We have heard of quite some concern in the transport industry, which is obviously one reason for the committee's inquiry. The backbone of a dynamic economy is an efficient transport distribution network.

15:30

**Bruce Crawford:** Will Alan Mitchell answer my question with reference to the wider Scottish economy? It is useful to hear Diageo's view, but a wider perspective would help.

**Alan Mitchell:** The solutions to support manufacturing in Scotland as a key plank that underpins the freight and road haulage industries are not unknown to us. We need to invest in the key supply-side drivers of the economy such as the transport infrastructure and education and skills. Support must be targeted at manufacturing. Towards the end of last year, the Scottish manufacturing advisory service was established to try to spread and exchange good practice in manufacturing. That is an example of support. The Executive is considering measures such as linking business rate discounts with research and

development and with innovation, which would also help.

We must avoid steps that add unnecessary costs to manufacturing and to business more generally. The cost burden on business and on manufacturing in particular is increasing substantially. Global competition exists and is here to stay—the world out there is not getting easier. As with the road haulage industry, the key driver in securing a long-term sustainable future for manufacturing is the industry itself, but the Executive must provide support by recognising that manufacturing is important, which we too often forget, and that the cost burden cannot be added to indefinitely without business suffering.

As I said, the key supply-side drivers and support that can be targeted to manufacturing must be considered. None of those solutions is novel. We know what we need to do; it is a question of getting on with it.

**Bruce Crawford:** It is good that you put that on the record. I read an interesting article by Bill Jamieson in *The Scotsman* today about how our competitors are undercutting our business rates. The Executive has taken a welcome step on business rates, but some of our European competitors are reducing their rates faster, so we still ain't competing in that arena. That is an interesting aside. I suppose that you folks reflect on such patterns and on what is happening in other European countries.

**Alan Mitchell:** Absolutely. At any time, some aspects of the business environment are more favourable in this country than they are elsewhere while other aspects are more favourable elsewhere. However, over the piece, we must ensure that we have as much of a level playing field as we can and that we secure whatever competitive advantage we can. We should certainly be on no worse a playing field.

We rely on the innovation and resilience of business in Scotland. Although the numbers were tough for Scottish manufacturers in 2005, our manufacturers were consistently ahead of their counterparts in most parts of the UK and continued to invest in their businesses. We must support that.

**Bruce Crawford:** I realise that Diageo takes most of its products out of Grangemouth. Superfast Ferries decided to reduce its ferry service down to one ship. I would have thought that the working time directive would have given Superfast and the Rosyth to Zeebrugge route a bit of a leg up. Has the CBI noticed any impact on service levels because of Superfast's decision?

**Alan Mitchell:** We have not had much feedback from our members about it. I am aware of the cutbacks and I know, for example, that Michelin in

my home town of Dundee makes great use of the service and has found it to be a cost-effective route to market, so it is obviously disappointing that the service has been cut.

Scotland is a relatively small country so we have a relatively small manufacturing base. In fact, we have a relatively small everything base and that denies us some of the economies of scale of larger economies. It means that any given service, feature or facility can be subject to relatively small fluctuations in demand. For example, if X companies stop using route X, that can make the route unviable because Scotland does not have the necessary economies of scale and high starting levels of demand.

I do not know any more about that particular route. We have not talked to our members about it. However, it is disappointing when something that is created as an option does not progress as well as it should, whatever the reason—and part of it might be inadequate business uptake.

**Bruce Crawford:** The information that we received did not suggest that there was inadequate business uptake. However, it is interesting to note that the ship went to Finland to service the Finnish-German market. Finland is a small country of about 5 million people and is obviously getting something right that we are not getting right.

**Peter Smith:** Although some of our contractors use the roll-on, roll-off service, most of our containers go to Rotterdam for global shipping.

One thing is going quite well at the moment—Scotch whisky. As a result of our experience and expertise in distillation, we have been quite successful in getting spirits from elsewhere around the world. I am thinking of bourbon, and cachaca from Venezuela, for example. They are produced and could be bottled elsewhere, but we are able to bring them to Scotland for maturing, blending and bottling for the European market. As I say, that is possible because of our expertise as well as the cost base and efficiencies that we have in Scotland. Anything that starts to erode that business too greatly might well mean that the cachaca stays in South America.

**Michael McMahon:** My question is specifically for Alan Mitchell but I would also like to hear Diageo's perspective. There is a degree of inconsistency in the CBI's submission. It says that it is concerned about costs being driven up by foreign operators. I fully understand the answer that Alan Mitchell gave earlier about protecting Scotland's indigenous road haulage or freight transport industry. However, if foreign operators are taking advantage of fuel prices abroad then coming here to transport goods around Scotland

and the wider United Kingdom, does that not drive costs down rather than up?

**Alan Mitchell:** If the entry into the Scottish market of overseas competitors who enjoy a natural cost advantage means that Scottish hauliers go out of business, there will not be any more hauliers in the general market, so there will not necessarily be enough competition to have any effect on prices.

One of the things that we have discovered is that the entry of new people from different countries who have different cultures is generally a positive thing for every aspect of business life in Scotland. It improves the performance of an industry. However, we can foresee a danger. A supply chain is effective if it is cost-effective—that is one of the criteria of an effective supply chain. Another purpose of a supply chain is to ensure stability and consistency of supply. One of our key worries about overseas firms coming into the market is that we may lose some of the relationships with businesses that exist at the moment. Those relationships would have to be built up again. There is a danger that overseas firms may not have the long-term commitment to Scotland that indigenous firms have—they may not put in place the necessary training, development and technological advances and may not establish partnerships with firms such as Diageo that will be sustainable in the long term. That is the risk.

As I read through the submissions, I was struck by the number of hauliers who had written to the committee. Although they despaired at the situation in which they find themselves, they were doggedly determined to stick things out for as long as they could. There is concern about whether companies that move into Scotland from outwith the UK will have the same long-term commitment that the indigenous industry has demonstrated. Such firms may enable short-term cost advantage to be secured, but the worry about the long-term sustainability of manufacturing cannot be discounted.

**Peter Smith:** The point is that a healthy dose of competition is always good. One cannot argue with the economics of that, but I back up what Alan Mitchell said. Our operation involves long-term partnerships with large hauliers such as W H Malcolm of Carntyne, John G Russell (Transport) Ltd and McPherson of Aberlour. Those companies' operations are strategically placed. In the case of W H Malcolm, our partnership has enabled it to invest in the transfer of freight to rail, which we have benefited from.

Our experience is that although there may be new entrants in the market, especially from eastern Europe, they tend to operate in the south of the UK. We find that their operations usually

involve short-haul trips and the ferrying of goods back and forth in the south of Britain. They do not tend to set up businesses that operate out of Scotland.

**Julia Williams:** It would be possible to increase competition by bringing in European hauliers. If one considered cost alone, that would increase competition. However, the value of working with the suppliers that we work with is that they understand our business needs in relation to service, quality and flexibility. Those needs would not necessarily be met by some of the bigger players in Europe. Suppliers such as McPherson of Aberlour and W H Malcolm of Carntyne help us to make numerous highly complex moves. For example, in the north, barley and grain are taken to distilleries, by-products are taken away and new-make spirit is transported south. Not many big companies would be prepared to invest in the specialised equipment that is required in some areas. The advantages that we gain from working with the suppliers that I have mentioned relate not only to cost, but to a whole package that involves service, quality and flexibility. That is why we want to work with them in the long term.

**Michael McMahon:** Bruce Crawford mentioned the impact that European Union directives can have on industry and we have been told that the working time directive will have a huge impact on the road haulage industry in this country. Would it not have a greater impact on foreign companies that wanted to operate here, because they would incur costs in providing a sufficient number of drivers from abroad to cover the working periods?

**Alan Mitchell:** All things being equal, the working time directive ought not to be an issue. The implementation and enforcement of regulations, on the other hand, has been raised with us and in evidence to the committee. The industry believes that a much more rigid approach is taken to implementation and enforcement in this country than is the case elsewhere. We have no evidence to back that up, but the point has been made to us and in submissions to the committee. All things being equal, the working time directive ought to be creating a level playing field, but its implementation appears to be causing a major problem in a Scottish context.

15:45

**Michael McMahon:** Surely when foreign operators operate in the United Kingdom, where the directive is enforced more stringently, they must comply with the rules with which UK-based hauliers must comply. Does that make it more difficult for people who are working outside their usual area of operation to supply drivers?

**Peter Smith:** It is possible that many operators who are from countries that recently entered the European Union are one-man-band owner-drivers, as opposed to logistics providers—or however they are described in a freight contracting context—who shuttle back and forth on full tanks of fuel from eastern Europe, where fuel is cheaper. I am not sure how such operators are policed, but the anecdotal evidence suggests that that is the situation.

I take Michael McMahon's point and I presume that all operators have to comply with the directive.

**Michael McMahon:** A one-person operator probably has more difficulty with the restrictions that the directive imposes on their ability to move around than will an indigenous operator who can call on a ready supply of drivers.

**Julia Williams:** Often when a driver from continental Europe brings imports to Scotland they take the back-haul opportunity, by which I mean that they take a load back from Scotland. When they do that, they rob an indigenous haulier of a route, which might also be an in-bound route. From an ad-hoc business perspective such activity creates pressure, in that routes are lost to our hauliers.

**The Convener:** I presume that our hauliers try to take advantage of back-haul opportunities when they take loads to the continent from the UK.

**Julia Williams:** Yes they do, in some cases.

**The Convener:** I do not understand the argument that a haulier from eastern Europe who fills up his tank before coming to the UK is undercutting UK hauliers. Surely our hauliers fill up their tanks before they cross the channel.

**Peter Smith:** I presume that they do so and that hauliers who cover the same routes are in the same situation. However, hauliers from continental Europe are using one tank of fuel to do shuttle routes in the south of England before they head back across the channel.

**The Convener:** Is that a matter more for the freight industry in the south of England than for the Scottish industry?

**Peter Smith:** Yes.

**Alan Mitchell:** Scottish hauliers who want to work on those shuttle routes must also bear the high cost of getting to England. The further north they are based, the further they must travel before they can access cheaper fuel overseas.

**David McLetchie:** The UK is a member of the European Union and we cannot exclude EU-based foreign operators, given that there is a single market. There seems to be little point in labelling foreign operators as bogeymen. Such operators will not go away; they are part of the marketplace

and they are probably driving down costs. Surely the root of the industry's complaint is the lack of a level playing field, as the CBI said in its submission. The CBI went on to identify matters such as fuel duties, the impact of the working time directive, tax burdens and red tape, the remedies for which are the responsibility of our Governments. Instead of creating bogeymen and complaining that it is terrible that there are so many foreign operators we should ask our Governments to address the problems that the CBI described. Do you agree that if we addressed the fundamental issues, Scottish hauliers would have nothing to complain about?

**Alan Mitchell:** Yes, absolutely.

**Peter Smith:** Yes.

**Julia Williams:** Yes.

**David McLetchie:** We should move the emphasis of our discussion away from the notion that foreign operators are dreadful people and instead consider road haulage in the European Union in the context of what delivers the most competitive return for our businesses and consumers. That is the most logical approach.

**Peter Smith:** I hope we did not give the impression that we think that foreign operators are bogeymen. I take your point about considering haulage in the European context. The industry cites as an example of its concerns the presence of hauliers from other countries, but foreign operators are not the greatest issue that affects road haulage and freight transport in Scotland.

**David McLetchie:** I agree.

To follow up on Michael McMahon's point, single drivers—the self-employed and one-man businesses—will not be covered by the present regulations on working time for another four years. Presumably the foreign operators from the new EU member states will then be subject to the regulation in the same way that our solo drivers and one-man businesses will be.

There are several projects that aim to achieve a transfer of freight from road to rail. Will any of the rail projects contemplated by the Parliament and the Executive—specifically the rail links to Edinburgh and Glasgow airports and the Borders railway—make any difference to the amount of goods carried by road and rail?

**Peter Smith:** Sadly, we have no distilleries in the Borders. We are looking with interest at some of the rail links, such as Stirling to Dunfermline, because there are possibilities in that for us. Any investment in the rail network is good and will help with the movement of goods. None of our stock goes out by air freight; it is too expensive.

**David McLetchie:** Even Johnnie Walker?

**Peter Smith:** Even Johnnie Walker.

**Julia Williams:** It is too expensive.

**David McLetchie:** When the working time regulation that affects drivers was introduced, the UK Department for Transport estimated in its regulatory impact assessment that the regulation would add £1 billion to the costs of the haulage industry in Britain. One assumes that in Scotland there will be a pro rata figure—or even higher than pro rata. Although the regulation has been in operation for only ten months or so, is there any evidence that it has led directly to an increase in transport costs?

**Julia Williams:** Yes, there is. It will be hard to judge whether the impact will be £1 billion across the industry, but we are certainly experiencing an increase in labour rates as a result of the regulation.

**Alan Mitchell:** We have also had that feedback from some of our members in the industry.

**David McLetchie:** Is an ex post facto assessment made as to whether that original regulatory impact assessment was borne out in practice? Is the assessment evaluated one, two or three years down the line to gauge whether it was correct, turned out not to be as bad as people feared or was worse than people feared?

**Alan Mitchell:** Are you referring to studies conducted by the CBI?

**David McLetchie:** Yes. Are such studies done, either by the CBI or the Government?

**Alan Mitchell:** The starting point for us in such a project would be the feedback from our members. For example, at a simple level we would consider whether they were more or less vocal about the effects of a particular measure before it came in. From that, we would make judgments as to how serious the situation appeared to be, and whether we should do detailed research on it, bearing in mind our resources and other projects in which we were involved. One problem is that Government never stops governing and another regulation is always coming down the line.

Conversations with our members in the industry and the trade associations—the Road Haulage Association and its freight transport equivalent—have not indicated that the working time directive is having anything other than the kind of detrimental impact that it was expected to have.

**Mr Arbuckle:** We are surrounded by water and by thousands of miles of coastline. If we had modern port facilities, would they provide an opportunity to increase small coastal traffic of containerised goods, or open goods such as forestry products?

**Alan Mitchell:** Some opportunity must undoubtedly exist, but how much and for what products remain to be seen. The economics of freight vary according to what is being transported and how far it must travel. We certainly have coastline, and some of our port facilities, particularly the deepwater facilities, ought to have potential for development. We can, for sure, do more with other modes of freight transport, but we must be clear about the cost and the practical impacts of each mode as it relates to each industry and sector, because the economics of freight vary from sector to sector.

**Mr Arbuckle:** In general, shipping costs per mile are far lower than road or even rail costs.

Does the CBI or Diageo support the mooted increase in the limit for lorry tonnage from 44 tonnes to 60 tonnes?

**Alan Mitchell:** We understand the rationale behind the proposal—it offers advantages for capacity and flexibility in road haulage—but an increase would place pressure on the road network. Who would pick up the tab for the maintenance costs? We understand the logic behind the idea, but we have not considered it in great detail. We would want more guidance and soundings on that before we reached a view on whether, on balance, it was the right solution for the economy, given the fairly perilous state of many of our roads.

**Mr Arbuckle:** And bridges.

**Alan Mitchell:** And bridges. However, the proposal cannot be discounted. Analysis is needed.

**Mr Arbuckle:** What is Diageo's view on increasing the weight limit for lorries?

**Peter Smith:** I echo Alan Mitchell. We understand the attraction of the idea, but many of our distilleries are in areas where the road infrastructure is not the best. We must understand those pressures and issues.

We are also considering using coastal routes, not necessarily to gain deep-sea access, but to move raw materials and finished cases.

**Dr Jackson:** Julia Williams said that a push was on to consider having more rail freight, and the need for more co-ordination between road hauliers and rail operators was highlighted. The CBI's submission talks about cost and practicality. It is obvious that there are barriers to rail freight. The submission also refers to Network Rail's route utilisation strategy. Will you say more about the barriers and about the way ahead under Network Rail's route utilisation strategy? Can we suggest anything to the Executive to help you to move more freight to rail?

16:00

**Alan Mitchell:** Ultimately, the key issues for any business are cost and the time to market. Business wants the quickest and most cost-effective route to the market. Any business that can switch from one mode to another will do so. Simply going from A to B is fine, but most journeys are a bit more complicated than that. The transition in a journey that starts on road and switches to rail is incredibly time consuming and costly. The more of those transitions one builds into a journey, the more inefficient and costly the chain becomes. Economics are economics—if mode X is more expensive than mode Y, all things being equal, business will choose the cheaper option. Because of the nature and type of routes that businesses will use to bring in and move around raw materials, there will often be movement from A to B to C to D and road will often be the most effective and cost-effective way of moving goods to all those points.

The simple point is that businesses cannot afford to have their goods transported using the most expensive mode of transport. Hauliers or freight providers cannot afford to have empty wagons or lorries—they want to minimise the number of those. When businesses bring in raw materials and ship out finished goods, they need to do so as cost effectively as possible. In different parts of the country, that will mean different outcomes, depending on the rail network and road infrastructure that is already in place and the extent to which they can be linked up. The situation varies between different parts of the country. I confess that I am not a technical expert. I am sure that representatives of the Road Haulage Association and the Freight Transport Association will be able to give you more detailed information.

**Julia Williams:** Alan Mitchell is right to say that we must take into account not just the rail journey, but getting the goods to the railhead and taking them to the customer's warehouse at the end of the journey. We are exploring those railheads that are as close as possible to our physical operation. As I mentioned earlier, we have a facility in Grangemouth, where we already have some warehousing. We are taking cargo south by rail, from Grangemouth to Daventry. We use Freightliner in Coatbridge to take cargo from Scotland down to the south coast ports, where it is put on to deep-sea vessels. As Peter Smith mentioned, we are trialling a link between Linwood, where there is an established railhead, and Grangemouth. We are attempting to utilise areas where a rail network is already in place.

We are not suggesting that completely new railways should be built; that would be impractical. However, we would like to understand how to

influence Network Rail if we want to build or, at least, to extend or repair certain lines or tracks. I am thinking about lines in the Alloa and Grangemouth area and around Carrbridge. We might want to invest in a small amount of track to ease the burden on roads in that area.

We would also like someone to help us to understand what grants are available. We are exploring the possibility of developing the railhead at Cameron Bridge, which is close to Leven. That would give us the facility to bring into Scotland for bottling and to re-export some of the spirit to which Peter Smith alluded earlier. At the moment, we are roading that spirit from the south of England. The development of the railhead at Cameron Bridge would allow us to bring it in by a cheaper route and take pressure off the roads, which would have a positive environmental impact.

It would also allow us to consider utilising the railhead to transport cased goods from Leven, which is about 3 miles away. As well as supporting the spirit production side of the business, it would support the movement of cased goods for export. We would transport empty containers from Grangemouth to Cameron Bridge, take them by a shunt to Leven—which would take further pressure off the main roads—fill them with cased goods and bring them back down to the railhead at Cameron Bridge. From there, they would go by rail first to Grangemouth and then to Daventry, or to the feeder vessel at Grangemouth. We are exploring that development, because there are cost benefits and it reduces road miles, which will be a continuing cost challenge as fuel prices increase. We also recognise that the risk of the Forth road bridge being closed to heavy goods vehicles in 2014 has been flagged up. We do not know whether another road bridge will be built, but such a closure would clearly put a lot of pressure on Kincardine bridge. We are having to explore all opportunities to take as much cargo off the road as we can—especially cargo to Fife, where we have a big bottling operation. We would like support in that kind of development, so that we can reduce the risk of incurring costs through not being able to use roads.

**Dr Jackson:** Thank you—that was a really helpful answer.

**Alan Mitchell:** Sylvia Jackson asked about Network Rail's route utilisation strategy. Joined-up thinking will be required to reach decisions. We have to consider the balance in road versus rail, in freight versus commuter, and in rural versus urban. The national transport agency; the regional transport partnerships; the fact that power over the railways has come up to the Scottish Executive; the national transport strategy and, within that, the freight strategy and the rail utilisation strategy—all the bodies and mechanisms are in place to allow

us to think sensibly, to bring together the right stakeholders, and to make the best judgments. We want a balanced economy; that means that we need a balanced transport infrastructure. I do not think that anybody knows what that will look like in practice; however the structures and frameworks are in place.

Sylvia Jackson also asked what we should do. The one thing that we must not do is lose this opportunity by allowing narrow sectional interests to hold sway. The Executive has said that growing the economy is its number 1 priority. As you would expect, we agree that that has to be the starting point. We need the glue to hold all the bodies and thinking processes together. We want deliverable outcomes at a price that the country can afford. The details may not be there yet, but the structures appear to be, to allow the joined-up thinking that is required. Let us not lose that opportunity.

**Dr Jackson:** That is very helpful. Would Julia Williams provide us with more information on her experience of the existing rail network, and on the help that could be offered with freight? That information would be helpful to the committee.

**Julia Williams:** Okay.

**Fergus Ewing:** I share the concern expressed by Diageo and the CBI about the level of fuel tax, which is the highest in Europe and quite outrageous, and about the working time directive, which is possibly the worst piece of legislation produced in the past couple of decades. However, with respect, I do not really think that questions on those issues are best directed at you. I will perhaps ask other witnesses about them later.

I want to ask Diageo about point 6 in its submission. We recently had the pleasure of visiting the feeder operation at Grangemouth, but point 6 refers to deep-sea access and Hunterston. Would you use Hunterston? What tonnage would you put through it each year if it could be used?

**Peter Smith:** We certainly would use Hunterston. Two of our main packaging plants are at Kilmarnock and at Shieldhall in Glasgow. Shieldhall produces about 22 million cases a year—it is the fastest bottling line in the industry—and Kilmarnock produces 10 million or 12 million cases. We would not use Hunterston for all of that, but the attraction of Hunterston is the access to deep water, which would obviate the need for the same number of containers to go across to Grangemouth for the feeder vessel to Rotterdam. I am not sure about the precise numbers, but we would support the use of Hunterston.

**Julia Williams:** We would use it, but the question is whether the shipping companies would be attracted to Hunterston before going to ports in our 180 markets. The challenge is to make

Hunterston attractive enough for some of the bigger shipping companies to bring their vessels to it. If they came, we would use them; there is no doubt about that.

**Fergus Ewing:** Good. That is encouraging. I hope that we will hear more evidence about the feasibility and relative costs of using Hunterston—and, indeed, Scapa Flow, which is the other option that has been mooted in some submissions. As one might expect, there is some scepticism in the existing ports that more than feeder operations could be made financially viable. Mr Mitchell is not the only one who would subscribe to the view that there is a risk that, if the port was not affordable, companies would not use it. We can come back to that matter.

I will ask the witnesses from Diageo a question about their industry rather than what they think about the road haulage industry. How do they envisage their business developing in export markets? Scotch whisky is a marvellous export to have. It is terrific and we all support it, especially if the industry continues to give more benefits and incentives to its distillery workers. I ask Mr Smith to give us an overview of the opportunities that he sees for Scotch whisky. Will the emergence of the far east markets and the growth of the market economy in China, India and other places in the far east provide opportunities for Scotch whisky, as one would hope and expect it to? If so, what is his thinking about how Scotland's freight capacity and international freight capacity should be used to service that demand and maximise the opportunities that we all want the industry to grasp?

**Peter Smith:** I thank you for the opportunity to wax lyrical on Scotch whisky. It is always dangerous to make great predictions; when does a blip become a trend? However—touching all the wood there is—we are certainly seeing some good movement in the industry at the moment.

You referred to China; the economies of Brazil, Russia, India, China and South Korea—the BRICK economies—are hugely important. They are growing from a smallish base at the moment, but the potential in those markets is great. Diageo's sales in China increased by 80 per cent over the past year. In India, they were up 50 per cent and, in Russia, 25 per cent. Significant potential is emerging in those markets. The United States remains the largest export market, followed by France. Within the industry, we are seeing some encouraging signs on blended whisky. There is also a resurgence of interest in malt whiskies, and sales of those are increasing across the piece. Long may it continue. October, November and December were the busiest months for the industry in fulfilling orders for the global markets.

For Diageo last year, orders in those three months were up 11 per cent on the previous year.

We are starting to see something happen and it is starting to be sustained. However, that brings problems. We have talked about the emergence of the Chinese market. As I said in my submission, a large volume of shipping containers is being attracted out to China and, consequently, the costs of our American routes have increased. That has caused us problems but, overall, the increases that we are seeing are, if they are sustained, good news for Scotch and Scotland.

**Fergus Ewing:** You refer, in paragraph 7 of the current issues section of your submission, to the extra costs that result from the increase in Chinese exports. I presume that those higher costs result from there being more volume to ship without the same level of increase in the shipping industry's capacity and that, therefore, the costs go up because the containers are simply not available as they are being used in the Pacific. The cost is being pushed up by the growth in international maritime freight that has been caused by the resurgent growth in the Chinese and Indian economies. I hope that we will be able to consider that in a wider context, because it seems to me to be relevant for the whole topic in the longer term.

16:15

I return to existing use of freight, which you describe as not only exporting the product, but importing bulk. You mentioned importing from Venezuela an alcoholic beverage that I had never heard of and gin and vodka being conveyed by freight. Diageo delivers half a million tonnes of cereals and produces animal feeds. From the information that we have received from the committee's adviser, I understand that most freight in Scotland—89 per cent in tonnage terms, I think—travels less than 100km, and I assume that cereals in particular travel less than 100km. Is it correct that the opportunities for using rail lie primarily where there are longer journeys to be made and where greater bulk has to be transported? Is that assumption too simplistic? Should our inquiry focus on opportunities for modal shifts that do not unrealistically add to costs? Is the broad view that I have given accurate?

**Peter Smith:** Yes. If we want to shift freight from road to rail, the opportunities for us lie primarily in transporting containers of cased goods to global markets. You are right. We buy some 460,000 tonnes of cereals. We have a policy of buying from farmers in Scotland and some 90 per cent of our raw materials come from Scotland. We produce animal feeds as part of the distillation process. Individual farmers can turn up with their tractor and trailer to take away a load of draff, or 25-

tonners can take away animal feeds for further processing. Those animal feeds are mainly used on farms in Scotland, although some are exported to places such as Belgium. However, the freight movements for our production processes by and large involve short journeys within Scotland; the big rail opportunities lie in transporting containerised goods.

**Bruce Crawford:** I have a tiny point to make about containerised goods. We shall soon hear from Friends of the Earth Scotland, which has said:

"We would particularly urge the Committee to support investment in upgrading substantial sections of the Scottish rail network to take new large containers (the so-called W10 grade)."

Do you support that? I shall also ask Friends of the Earth Scotland about that.

**Peter Smith:** The issue takes us back to what Julia Williams said about facilities at railhead interchanges, in which we think much more investment is needed. I see the logic behind having larger W10 containers, which would mean that routes would be used more efficiently, but the issue is more about road and rail interchanges.

**Bruce Crawford:** Routes might be used more efficiently, but I suppose that many tunnels would require to be re-engineered so that the larger containers could get through them. Would the investment that would have to be made be worth the return for your operations?

**Peter Smith:** I am afraid that I am probably not competent to answer that question.

**Julia Williams:** I do not think that it would be. If there are bigger containers, significant investment by the hauliers would be required in trailers to take equipment and to put things on to the rails. I do not have enough information, but my gut feeling is that there would not be enough return for us on the investment that would be required.

**Bruce Crawford:** That is useful to know before we ask our next panel questions.

**The Convener:** That concludes members' questions. I thank Julia Williams, Peter Smith and Alan Mitchell for attending.

We move on to our second panel of witnesses in our inquiry into freight transport. I welcome Duncan McLaren, chief executive of Friends of the Earth Scotland, and Colin Howden, director of TRANSform Scotland. You have the opportunity to make introductory remarks before we move on to questions.

**Duncan McLaren (Friends of the Earth Scotland):** Thank you for the opportunity to answer your questions. You will be aware that you solicited evidence from Friends of the Earth, and I

know that TRANSform provided evidence in advance.

What we have to say falls under four headings, which I will recapitulate briefly. Scotland is a relatively peripheral economy, and a sustainable economy in a peripheral location requires smartness and efficiency, rather than a focus on cost cutting and accessibility. We cannot compete with the core economies of Europe on their terms; we have to do so on our terms.

Freight, as an economic sector, particularly on road and rail, contributes to a severe and growing environmental impact. Carbon dioxide emissions from road freight transport have been massively outstripping economic growth and the reductions in emissions that are being achieved in other sectors, thereby undermining the achievement of both the Executive's and the UK Government's environmental objectives. It is desirable to reduce those emissions. That leads us to the view that the predict-and-provide approach is not the way to address freight transport. Demand management is critical, which can include measures in the planning system and Government procurement, both of which are open to Scotland to influence, whereas other things rest with Europe or Westminster.

As members have just heard, modal shift can help immensely. I was particularly impressed to hear what Diageo had achieved in the recent past. Targeted investment via the freight facilities grant, for example, can help to deliver the railheads, which might lead to the duplication of that performance across many other sectors of the economy.

**The Convener:** Thank you. Does Colin Howden wish to add to that?

**Colin Howden (TRANSform Scotland):** I have nothing to add, other than to put on the record the fact that our paper was submitted jointly with Freight on Rail, which was not able to provide a witness today, although it is willing to come back at a later date.

**The Convener:** I open up the meeting to questions from members.

**Bruce Crawford:** I thank Duncan McLaren and Colin Howden for coming to give evidence. You heard in the evidence from our previous panel that more than 70 per cent of Scottish firms sell more than half their goods and services in Scotland, which I suppose makes you reasonably happy, given your support for economic localisation. However, is that happening at the expense of a declining manufacturing base for export? How do you view the whisky industry in that context?

**Duncan McLaren:** I suppose that the whisky industry is an exception. We would support its

continued success as long as it is managed in a way that does not create excessive environmental impacts. I was pleased to hear that Diageo was making efforts that run ahead of many in other sectors to shift to rail and look for the targeted investments that will allow it to use rail and sea transport rather than road transport. To my mind, that adds up to the potential for a sustainable export industry.

**Bruce Crawford:** To flip that round a bit, can you tell us which manufacturing or other export industry in which Scotland involves itself is not a good thing?

**Duncan McLaren:** That is an interesting question. That is not the approach that I expected this afternoon.

**Bruce Crawford:** The question is an inevitable consequence of the argument about economic localisation.

**Duncan McLaren:** The starting point for economic localisation is to consider whether we can better meet our needs in Scotland through Scottish industry supplanting imports, rather than through attempting to increase Scottish exports as the first principle.

**Bruce Crawford:** Yes, but the converse is also true. If we had such a policy in Scotland, other economies would operate in the same way and therefore Scottish manufacturing exports would have a more difficult time. Therefore, the question about which industries we should stop or get out of still arises.

**Duncan McLaren:** The Scottish economy has shown that it is not highly competitive in manufacturing exports. Our recent growth has been in industries such as financial services. I do not see why we should hanker after and attempt to protect industries that are otherwise proving to be uncompetitive. To give an example that illustrates the sort of investment in economic localisation that I am looking for, at present, the food that is served in Scottish hospitals is road freighted in from Wales. Why not procure the food from local providers in Scotland? That would provide fresher, healthier food, have less environmental impact and deliver economic benefits for Scotland.

**Bruce Crawford:** I accept that there are some arguments about the food agenda, but I could go on forever about the issue. Does your argument mean that we should use prawns from the west coast of Scotland in Scotland rather than export them to Spain or France? We could take the argument down to an incredible level.

**Duncan McLaren:** The key point is not to get down to that level of interventionism in the economy, but to set the principles that would allow the economy to drive towards sustainability. To be

frank, that steers us toward issues that are the territory of the UK Parliament, such as fuel prices and the overall costs of transporting rather than producing locally.

**Bruce Crawford:** I am struggling to understand one statement in your submission, but I am sure that you will help me get there. It states:

"Improving transport links risks further undermining peripheral economies by exposing them to more efficient centralised competition."

You will need to lift the lid on that one for me, I am afraid.

**Duncan McLaren:** My apologies if the language is a bit technical. The so-called two-way street hypothesis is relatively well-known in transport circles. The idea is that if we improve access in one direction, we also improve access in the opposite direction, which raises concerns for peripheral economies. To give an example from outside Scotland, when the A55 in north Wales was improved, the Post Office, gas companies and other firms centralised their distribution facilities in Warrington and Chester rather than continuing to operate along the Welsh north coast. As a result, jobs were lost rather than gained in the more peripheral part of the economy, and the impact of the improvements in transport infrastructure was directly contrary to the expressed aims of those who had chosen to invest in the improvements.

**Bruce Crawford:** We have heard from the CBI and others about the need to get goods to markets at reasonable cost and on time. The argument was that we should invest in our transport infrastructure to help businesses to do that because, otherwise, they will not be sustainable. Perhaps I have got the CBI wrong entirely, but that is what I think that I heard.

**Duncan McLaren:** I believe that you have interpreted the CBI correctly. Far be it from me to say that I know better, but I believe that the CBI is happily indulging in the game of trying to persuade Government to improve transport infrastructure to get a free good. As business would benefit from that and would not have to pay any more for it, the CBI says, "Let's do it." In my opinion, however, the CBI is not in fact expressing a view about the net benefit to the economy or about the potential for employment in Scotland arising as a result of that.

Evidence of the job creation benefit of road infrastructure improvements is rather sparse. Work has been done to show that the initial investment in building a network of roads is good for the economy, and maintaining it and keeping it in working order is obviously necessary. However, to go on adding links to an already developed network tends merely to redistribute jobs, rather than create additional economic activity.

16:30

**Bruce Crawford:** In contrast with improving road links, you would obviously not be so agin upgrades to the rail network—or would you?

**Duncan McLaren:** If you follow through the paper that we have presented, you will note a sequence of arguments. At the top level, we set out the relationship between freight, or transport, and the economy. Further down, we are saying that, accepting that we have a certain amount of freight transport at the moment, it is desirable to shift that from the most damaging modes, which are air and road, to the least damaging modes, which are rail and water-borne transport. Therefore, investment should be targeted in such a way as to stimulate that modal shift, rather than at increasing—in my view, in a misguided way—the overall amount of transport.

**Bruce Crawford:** If the Forth road bridge closes to HGVs in 2013, what are we going to do?

**Duncan McLaren:** That is a good, if hypothetical, question. Personally, I would want all the facts at my disposal about the condition of the bridge before suggesting what should happen. My understanding is that, early next year, the Executive will receive the findings of a report into the current condition of the bridge and the potential for extending its life. At that point, I would feel equipped to answer the question.

**Bruce Crawford:** Surely it is the job of this committee, of Government and, I would have thought, of non-governmental organisations to deal with such what if questions, so that we can start to do some forward planning.

**Duncan McLaren:** The what if is addressed by gathering the information that will allow us to understand whether there is a real risk, what the scale of that risk is and what the options are. At the moment, I would be forced to conclude that it would be premature to advocate the commencement of work to construct a new road crossing.

**Bruce Crawford:** If the findings that the Executive has commissioned consultants to produce show that there is no fix for the present bridge, where would that leave us?

**Duncan McLaren:** That would leave us having to consider the costs of and alternatives for different replacement crossings.

**Michael McMahon:** In the section of your submission that is headed "Freight and the economy", you state:

"Scotland's economy ... is becoming less freight-intensive"

than it was in the past. That is not the perception that I have of the area that I represent. At one

time, Lanarkshire had the Ravenscraig steelworks, the Gartcosh steelworks and the Clydesdale steelworks. There were thousands of jobs in manufacturing and 300 coal mines. None of those exists any longer, yet the economy in my part of Scotland is thriving, thanks to freight distribution, as the area has become a hub for freight distribution by both road and rail. You contend that

“general investment or activity to support the freight transport industry would not be”

a good thing. You would rather have a green jobs strategy. How many jobs would your green jobs strategy bring to Lanarkshire that the freight transport sector has not brought there?

**Duncan McLaren:** Thanks for that question, Mr McMahon. I understood that this was a transport committee, rather than a venue in which MSPs' local interests were to be paraded.

I appreciate that your locality has many jobs in the transport distribution industries. That is a good thing for the people who enjoy those jobs, but the question is whether they represent the best investment for Scotland as a whole to make in its economy. My judgment is that they do not. For Scotland as a whole, more jobs would be created through investment in the Executive's green jobs strategy and those jobs would be better distributed rather than being concentrated in such a way that other areas do not benefit.

**The Convener:** To clarify, in our inquiry we are considering the environmental and economic impacts of the freight transport industry. It is therefore not outwith the scope of the inquiry for members to raise questions about economic impact.

**Michael McMahon:** Mr McLaren tried to dodge a couple of other questions and I can understand why he wanted to dodge that one as well.

The point that I was making is that there has been a huge increase in the economy in my area as a result of freight transport. According to your submission, you would prefer to rely on the green jobs strategy. If the jobs in freight transport had not come to my area, would they have been replaced under the green jobs strategy?

**Duncan McLaren:** I cannot offer any information on that because the Executive does not provide data on the green jobs strategy broken down by region. However, the strategy would support tens of thousands of jobs throughout Scotland. I do not expect that the number of jobs that are supported by freight transport in your locality would outweigh that benefit to Scotland.

**Paul Martin:** Can you give any examples—from Europe or elsewhere—of successful initiatives to move freight from road to rail?

**Duncan McLaren:** There are certainly countries in which rail has a much greater modal share. I do not know whether Colin Howden has any information on that.

**Colin Howden:** That is not a question that I prepared for, but an example that comes to mind is Switzerland, where, in the past 10 years or so, there has been a concerted attempt to move cross-Alpine freight trips from road to rail. That came about as part of a citizens' initiative that was voted through by referendum. It was a popular initiative because there was a lot of concern about the impact of heavy goods vehicle movements through Alpine valleys. That is an example of a popular initiative to shift freight from road to rail.

**Paul Martin:** Does Switzerland have similar export and import statistics to Scotland?

**Colin Howden:** I cannot help you on that. I would have to look into it, but freight transport in Switzerland certainly involves long-distance flows—stuff comes from Italy and goes to northern Europe and vice versa.

**Paul Martin:** Not everyone lives near a nice rail network that can carry all the freight, so there are challenges. You accept that there will always be some road freight, but you say that we should improve the rail network. Do you have any figures on the investment that you expect? I would have expected Friends of the Earth to have bombarded us—if not in your submission, then perhaps in an e-mail—with information on the investment that would be required to bring the rail network up to the standards that are found in other parts of the world. How can we learn from other countries if we do not have that information? Is Friends of the Earth showing any creativity by setting out examples of what we should be doing?

**Colin Howden:** I cannot answer for Friends of the Earth. However, I can answer for TRANSform Scotland and I can give examples of rail freight projects that we want the Executive to take forward. We tend not to provide evidence papers that simply comprise wish lists of infrastructure projects, although I can certainly list some of the projects that it would be sensible for the committee to consider in terms of rail freight investment.

**Paul Martin:** What impact would those projects have in the context of the challenges that Duncan McLaren mentions in his submission? Would they have a massive impact? Would the road freight trade be put out of business or would there be a percentage decrease in its business?

**Colin Howden:** Road freight will certainly not be put out of business. Tom Hart's evidence paper says that between a third and a half of all freight tonne-kilometres could conceivably be carried by rail, but a lot of short trips—white-van deliveries, milk floats and so on—will never be on rail. You

could spend infinite amounts of money on rail freight, but you will still need a large amount of road haulage.

There are some projects that we think the committee should consider later. First, the Stirling-Alloa-Kincardine line, which will provide access to Longannet coal-fired power station, is a project that the Executive is developing; we think that it is a good project not only for providing rail access for Longannet's coal but for providing new rail capacity across the Forth bridge, which could also be used for passenger rail services. The second project we recommend that the committee look at is the project to implement clearance from Coatbridge and Mossend up the east coast to Aberdeen and on to Elgin. The Executive has gone for a cut-price solution on that, but the project will essentially deliver W10 and 9ft 6in containers.

Thirdly, we heard earlier about railheads west of Glasgow and the Elderslie to Grangemouth route. That is something that has come on stream in the past few years, with very short rail hauls of only 41 miles, according to the Rail Freight Group. That shows that, on occasion, rail freight can be used for short hauls as well as long hauls. We also think that it would be useful to consider the Glasgow and south-west railway, both as a diversionary route for the west coast mainline, which is currently the only W10 cleared route in Scotland, and for access to Hunterston. If Hunterston were to be developed as a deep-sea port—I do not have a view on whether that would be a good thing—we would want as much as possible, if not all, of the freight from there going on to rail, so that is another area where investment would be needed. Around the country, we also need to think about timber traffic in the Highlands and in the south-west. The Highland main line itself is not cleared for large containers, never mind W10 containers.

We can provide the committee with a long wish list, but if you ask me what the aggregate effect of that will be in terms of modal shift, I will have to pass.

**Bruce Crawford:** It would be interesting to hear more about the W10 issue, because that has worked in the south-west. Is expenditure required first on the Inverness route or on the Aberdeen route? How much do you estimate will be needed to do that upgrading work? Resources are finite, but the committee might judge that upgrading the route to Aberdeen, with fewer tunnels and lower costs, might be an effective way to get more of the oil-related goods off the north-east corridor on to rail and to take all the food-transport issues out of the equation. A list of priorities, indicating the direction in which you think we should go first with estimates of what it might cost, would be helpful.

**Colin Howden:** I would be happy to come back to the committee with something like that.

**Duncan McLaren:** We would certainly be happy to do our best to help, but I urge the committee to ask Network Rail and the rail industry what the investment would cost. That is not information that we have to hand and we would have to invest time and resources in gathering it.

**Bruce Crawford:** I shall ensure that we ask those questions of the appropriate people.

**Fergus Ewing:** The information that the committee has received from its adviser about the level of tax on diesel and the cost of diesel in various European Union states suggests that the UK has the highest tax and the highest costs by a considerable margin, to put it bluntly. The figures that we have been given say that the cost of supplying 1,000 litres of diesel in the UK is €1,400, compared with an average cost in EU states of just under €1,000. Even worse, the average level of duty—tax, in other words—is twice as high in the UK as it is in other EU states.

16:45

I assume that Friends of the Earth is not in favour of steps to remove that unfairness by cutting the diesel tax in the UK, which would remove the problems that we heard about from Diageo. Does Friends of the Earth have a recommendation for what the tax should be? Is it too low in the UK, as your publicity seems to suggest? If it is too low, how much higher should it be?

**Duncan McLaren:** Colin Howden is prepared for that question.

**Colin Howden:** As members might expect, we were expecting that question. First, I refer the committee to its adviser, Professor McKinnon. I will quote from his paper, "Haulier than Thou: An Assessment of the Road Haulage Industry's Grievances", which was published in 2001. When talking about fuel taxes, he says that the analysis that Fergus Ewing cited is

"only a partial view of the relative position of the British haulage industry",

and ignores

"several other taxes and charges that hauliers incur, which tend to be higher in other countries than in the UK."

Professor McKinnon goes on to talk about motorway tolls in other countries and says that labour and corporation taxes tend to be higher in many other continental countries. He also mentions other tax burdens of other countries.

He concludes that

"the total tax burden on a British-registered haulier was only marginally higher than that borne by foreign competitors."

Professor Alan McKinnon might have changed his mind in the intervening five years and members might accuse me of making a partial reading of his paper. However, to consider just fuel taxes is to take an extremely narrow and partial view—you must look at the broader economic framework.

My second point—

**Fergus Ewing:** Would you try to answer the question that I asked? In the paper—

**The Convener:** Let the witness answer in full—then you can come back in.

**Fergus Ewing:** I want clear answers. Other members have also had problems with that today.

**The Convener:** I would like to give the witness the chance to answer the question, then I will let you back in, Fergus.

**Colin Howden:** I will address the question of whether diesel tax is too low. I cite good practice and refer you to the “Surface Transport Costs & Charges Great Britain 1998” report by the Institute of Transport Studies, which is generally seen as the state-of-the-art report in the UK on the external costs of road haulage and car use, which include environmental, congestion and road damage costs. The report, which was based on 1998 data and published in 2001, concluded that the road sector covered between 36 and 50 per cent of external costs. We take from that that road use does not cover the external costs of environmental damage, congestion and accidents. That is not to say that we would not recommend that you increase taxes and charges by 50 per cent or two thirds. It means that to move towards an optimal economic result in the transport sector, you should look to increase charges, especially for vehicle trips and freight movements that use more congested parts of the network and which have a higher environmental cost.

Lastly, over the past six months, fuel prices globally have gone up by \$70 a barrel following hurricane Katrina, so people have to be a wee bit more realistic. Such prices are going to be the norm rather than the exception as oil depletion kicks in. Most people suggest that we are either at 50 per cent exhaustion of world oil resources now or that we will hit that in the next five, 10 or 20 years. With that in mind, you should not look for substantial decreases in fuel prices and that should not be the basis of your freight policy.

**Fergus Ewing:** My question was addressed to Duncan McLaren, who has not yet answered it.

**Duncan McLaren:** As I said, Colin Howden prepared our response on this issue. Friends of the Earth policy on fuel prices is that increases should be progressive and well forecast, rather than sudden hikes, so that the industries involved can plan and deal with them.

**Fergus Ewing:** I am familiar with the argument that Mr Howden has advanced, which is not new. I accept that there are other factors. Incidentally, the analysis that he has given today is hotly contested. I have no doubt that we will hear our committee adviser's views on the matter, but I know that the RHA argues that the comparative study to which Mr Howden referred is flawed and that the tax burden in the UK is significantly higher than it is elsewhere. It is highest of all in Scotland, because we tend to have higher pump prices and there is further to travel, especially for hauliers that are involved in long-distance haulage and export.

I am trying to get clarification—we know what FOE is against, but we do not really know what it is for. At the end of the day in politics, a responsible Government and its Opposition must say what they think should be done. Am I right in saying that it is your view that fuel tax is 50 or 66 per cent too low? If I misunderstood your evidence, will you tell me what percentage increases you would apply or think should be applied? If you want to dodge the question, please say so.

**Colin Howden:** I will respond to the point that you made about information. I understand that the surface transport costs study is still the state-of-the-art report on marginal social-costs pricing in transport, although it may have been overtaken by something else. That, rather than any industry-funded reports to which Fergus Ewing may want to refer, is the key report. It suggests that the road sector covers between 36 and 50 per cent of its external costs. By those I mean costs to the environment, climate change costs and the cost of accidents—people getting knocked over and so on. That does not mean that we recommend that transport prices should be increased by the commensurate amount immediately, or even at any point, or that there should be full-cost pricing; rather, it means that there should be increasing transport prices, so that the sector covers its external costs.

**Fergus Ewing:** If you say that the transport sector meets only a third of its costs, you are arguing that the contribution that it makes should increase threefold. Is not that correct?

**Colin Howden:** Not necessarily, because there would be other equilibrating effects as prices were changed. We are not dealing with a static situation.

**Fergus Ewing:** In your submission, you say that the sector should meet “full external costs”. Can you put a figure on what you say we should do, instead of just telling us what we should not do?

**Duncan McLaren:** I understand that fuel duty is a matter for another place. Had I been appearing before a Westminster committee, I would have

expected to prepare for such a question. As I said, we support the principle that in due course the sector should cover all, or the majority of, external costs and that that should be done such that the industry can plan for and adjust to increasing prices. As Colin Howden said, the external economic environment is such that if the industry does not plan for increasing prices, it will be making foolish assumptions about the future development of the economy.

**Fergus Ewing:** I appreciate that you cannot answer the question today because you had not prepared for it. I invite you after the meeting to answer the question directly in writing, in a paper addressed to the committee.

**Duncan McLaren:** If the committee as a whole wishes me to answer the question in writing, I will happily do so.

**Fergus Ewing:** It is for other members to say what they think, but I certainly believe that Eurocentral is a national as well as a local issue. I thought that what Duncan McLaren said about Michael McMahon parading that as a local interest was wrong. I hope that other members will agree that it would be useful to hear what FOE is prescribing rather than just what it is diagnosing. I had other questions, but I might just leave matters there.

**Duncan McLaren:** As Mr Ewing has asked what we are prescribing, he must give me the opportunity to run through what we are prescribing. There are many measures that the committee could recommend that the Executive should take. Fuel prices is an issue on which it has only a peripheral ability to change UK policy.

**Fergus Ewing:** With respect, that is what I was asking about. I would be delighted to read your other ideas as well, but perhaps we could leave them for another time. I hope that you will be able to tell us how much higher you think fuel duty should be. It seems to me that your answer is that it should be 300 per cent higher and that it should therefore cost about €4,200 to fill a tank in the UK. That would mean that we would have no haulage, no haulage businesses and no goods in the supermarkets and that industry throughout Scotland would be decimated. The effects would be particularly bad in my constituency, in relation to which you have already said that the port of Mallaig is apparently dispensable because it commits the sin of successfully exporting shellfish to Europe.

**The Convener:** I do not think that that was exactly what Mr McLaren said. That speech was your interpretation of what he said. Out of fairness, I will give Duncan McLaren a brief opportunity—I know that other members still have questions—to set out some of the devolved dimensions of

transport that he thinks that the committee should be considering.

**Duncan McLaren:** The committee's priority should be to take a close look at the opportunities that the Planning etc (Scotland) Bill offers. In particular, it should ensure that the bill includes a duty to promote sustainable development at all levels of the planning system from the national planning framework down to local planning decisions, such that the external costs of any transport needs associated with those planning decisions are taken into account. That will help to promote the mixed local development that is both job rich and environmentally beneficial.

The committee should also examine waste policy and how the miles that waste travels can be reduced by improved recycling and, in particular, by supporting businesses to turn recycle into products that can be used in Scotland. I commend the Scottish industrial symbiosis programme as a good example of how such work can be developed. The next step is to match waste with users; bringing them together in localities can create synergies and additional jobs. There is a great example of that at Kalundborg in Denmark, where the ecological benefits are maximised and transport is minimised.

The other area that I urge the committee to consider is public procurement, but given that I mentioned that earlier, I will just park the issue on the record.

**Colin Howden:** The committee might want to think about encouraging the Executive to produce an analysis of the true costs of transport in Scotland. Some of the data that are being used are quite out of date. Although I think that "Surface Transport Costs & Charges Great Britain 1998" is still a state-of-the-art report, it uses UK data from 1998—it contains no disaggregated information for Scotland and does not pick up some of the genuine regional diversity that exists throughout the country. We need to be able to compare the true cost of transport in central Edinburgh with the true cost of transport in a remote part of the Highlands, for example. A practical recommendation from the committee's inquiry would be to ask the Executive to do such analysis. It would be entirely impractical for the committee to ask a body such as TRANSform Scotland to produce a full true-costs analysis. If the institute for transport studies at the University of Leeds is not prepared to come up with figures on what the tax and charge levels on fuel should be, it is daft to ask a small NGO to do that. I suggest that it would be better to aim that recommendation at the Executive rather than at us.

**David McLetchie:** Fergus Ewing has covered much of the ground that I wanted to cover, but I wonder whether you could clarify the issue of

growth. In the submission, the section on air freight refers to

“local measures to constrain growth”

and, a little later on, in the section on demand management, there is a reference to pursuing “traffic reduction”. Are you in favour of absolute reduction or of constraining the rate of growth?

17:00

**Duncan McLaren:** The first priority on air traffic is to constrain the rate of growth. According to the Tyndall centre for climate change research, which is the UK’s prime academic institute on climate change, if air traffic growth is unconstrained, every other sector will have to reduce its climate change emissions almost to zero. That is clearly unacceptable.

However, there is a case for an absolute reduction in the volume of road traffic. The Executive has agreed that stabilising road traffic volume at 2001 levels by 2021 would be desirable. However, we argue that it would be desirable to reduce the volume from those levels over the same period.

I hope that that answer is clear enough.

**David McLetchie:** So, in fact, you are saying that it is desirable for air freight transport levels to grow, albeit by a more modest amount, but that there should be an absolute decline in the levels of all other transport use.

**Duncan McLaren:** I indicated that the first priority for air travel is to constrain the rate of growth. Clearly, in the long term, that growth will be capped in the same way that road transport has been capped. Given that, at the moment, the overall impacts of road transport are so much greater and that its other impacts have been widely identified, there is a case for reducing overall road traffic levels. I suspect that there will come a time when there is a case for reducing the overall air traffic levels.

**Colin Howden:** I cannot comment specifically on air freight but, as far as air passenger figures are concerned, we have argued that we can probably squeeze 1 to 2 per cent of efficiency gains out of the air transport sector. If we wanted simply to stabilise emissions, we could probably tolerate that level of annual air transport growth. However, if we want to reduce emissions—bearing in mind, of course, that the UK Government has set a target of a 60 per cent reduction in climate change emissions by 2050—we will have to stop considering relative improvements and start thinking about an absolute reduction in transport trips, be they by road or by air. That is certainly TRANSform Scotland’s position.

**David McLetchie:** Do you seriously believe that, by investing in rail and achieving a modal shift, you can make absolute reductions in road transport? If so, have you made any assessment of how much would have to be invested to make the modal shift that you desire?

**Colin Howden:** As I said earlier, we need to start preparing for that. After all, we are facing not only climate change with all its economic and environmental impacts but oil depletion. If we have exhausted 50 per cent of global oil resources, that situation will not improve in future decades. As a result, it would be more sensible to prepare ourselves for a soft landing and build in more sustainable transport provisions instead of more unsustainable provisions.

**David McLetchie:** On a broader economic policy point, from my reading of the submission, you appear to oppose the concept of a free market in the movement of goods among EU member states.

**Duncan McLaren:** If that comment is directed at me, I have to say that I am not sure where you got that impression.

**David McLetchie:** If I have understood your evidence correctly, you are talking about the need to reduce transport movement. I also believe that you said that we need to promote greater self-sufficiency.

**Duncan McLaren:** That does not necessarily constitute opposition to a fair and free market. It suggests—

**David McLetchie:** If someone in country A wants to buy from someone in country B and both countries are member states of the EU, should the parties be free to choose or should the state intervene to prevent them from trading?

**Duncan McLaren:** The state should not intervene. We come back to the question whether transport is paying a fair proportion of its external costs. If transport were to pay a fair proportion of those costs, it would become less attractive to people to indulge in long-distance trade and more attractive to seek more local trading opportunities.

**David McLetchie:** People in Scotland would pay more for their goods.

**Duncan McLaren:** Not necessarily. If they did pay more, there would be a return in higher wages in Scotland.

**David McLetchie:** That is a non sequitur. Are you seriously suggesting that people in Scotland should pay more for goods that we import from elsewhere in the EU?

**Duncan McLaren:** That will be the long-term consequence if the external costs of such goods are not being met, which appears to be the case.

**David McLetchie:** We will all be poorer as a result.

**Duncan McLaren:** I draw the committee's attention to the Scottish Executive document "Choosing Our Future: Scotland's Sustainable Development Strategy" in which, as I understand it, the Executive acknowledges that the measurement of prosperity does not rely entirely on the economic cost of goods that are bought and sold in shops in Scotland. The Executive acknowledges that people regard many other things as important in the richness and well-being of their lives. For example, people are concerned about the likelihood of disastrous events such as a child being mown down on the street by a heavy goods vehicle. They are concerned about the cleanliness of the air that they breathe. They want their grandchildren to enjoy a world that does not face climate chaos. We would be much the richer in that regard if we started to move in a unified way with our European partners towards full internal costing of the goods on our shelves.

**David McLetchie:** Is the Scottish Executive's sustainable development strategy compatible with the Executive's number 1 priority, which is to grow the economy, as the Executive keeps telling us?

**Duncan McLaren:** The Executive says in its sustainable development strategy that its priority is to grow the economy,

"but not at any cost".

That statement suggests that there are constraints to the goal of economic growth. My view—if you want to hear it—

**David McLetchie:** Yes, absolutely.

**Duncan McLaren:** My view is that high levels of economic growth would be consequential on a policy framework that pursued sustainable development, because of the investments that would be needed, for example massive investments in the rail network and in renewable energy. We encounter problems when we try to pursue economic growth by attempting to compete with countries that enjoy a different balance of costs, such as Germany, Holland and Switzerland, in the core of Europe, which service a large market in a small locality. It is not possible for Scotland to compete with such countries on their terms. We must consider what makes Scotland unique, such as innovation or industries such as the whisky industry, in which we have an advantage as a result of our unique geographical position.

**Colin Howden:** I want to chip in briefly to make a point anecdotally. If I took a lorry and mowed down the Local Government and Transport Committee, or perhaps just Fergus Ewing, the country's gross domestic product would increase,

because the police and ambulance services would be called and, if it was thought that I had acted maliciously, I might go to court and be sent to jail. GDP might increase, but I am not sure that the sum total of human happiness would increase—of course, that is a moot point.

**David McLetchie:** When the first railway opened in Britain, a member of Parliament was killed by the train.

**Colin Howden:** That is correct. These things can work both ways—they are multimodal.

**Duncan McLaren:** The current rate of deaths on rail is a tiny fraction of that on the roads. Among road vehicles, lorries are disproportionately responsible for fatalities.

**David McLetchie:** I agree whole-heartedly. It is a pity that the more hysterical do not agree, as that very point has been made on a number of occasions in the past 10 years.

**The Convener:** That brings us to the end of questions. I thank Duncan McLaren and Colin Howden for their evidence.

**Fergus Ewing:** Happy motoring.

**Duncan McLaren:** My bike will suit me fine, thank you.

## Petition

### Home Safety Officers (PE758)

17:10

**The Convener:** We have two more items on the agenda, which I do not think it will take us too long to deal with.

Item 5 is petition PE758, which calls for the provision of home safety officers on a statutory basis in each local authority. We have considered this petition before. It is suggested that we hold an evidence-taking session to hear from the petitioners, the Scottish Accident Prevention Council, the Royal Society for the Prevention of Accidents, the Convention of Scottish Local Authorities and the Minister for Finance and Public Service Reform or his deputy—whoever accepts the invitation. It is also suggested that we investigate taking either written or oral evidence from a member of Home Safety Scotland and from the Scottish fire and rescue service's community fire safety champion for Scotland.

Given that the committee's time is tight, because of its commitments, I suggest that we seek written evidence from the latter two, as set out in paragraph 9 of paper LGT/S2/06/6/6, and that we invite the first three—the petitioners, COSLA and the minister—to give oral evidence. Are members content for us to proceed in that manner?

**Fergus Ewing:** Are petitioners going to give evidence now?

**The Convener:** No. We are being asked to consider the issue at a later stage. We do not have evidence scheduled for today.

**Fergus Ewing:** It is just that I thought that one of the petitioners was here today and had been waiting patiently for the whole meeting. I just wondered whether they expected to be called—apparently not.

**The Convener:** Do we agree the way forward?

**Members** *indicated agreement.*

## Maritime Passenger Rights (European Consultation)

17:12

**The Convener:** Finally, we come to the consultation document that the European Commission has issued with regard to the rights of passengers travelling by sea or inland waterway in the European Union. Given that that falls within our remit, I thought that it might be useful for us to consider taking evidence on it. We have a relatively short time in which to make a response to the EU consultation, which has to be received by 30 April. I propose that we schedule an evidence session for 28 March, which would be our last meeting before the Easter recess. The clerks would then be able to draft a response to the Commission for the committee to consider on its return after the recess.

I suggest that we seek direct oral evidence from the Minister for Transport and Telecommunications and written evidence from all the ferry companies that operate in Scottish waters as well as groups representing ferry passengers and any other relevant organisations that members wish to suggest. Do members have suggestions of organisations other than those that I have mentioned?

**Members:** No.

**The Convener:** On that basis we agree to the recommendations in paragraphs 10 and 11 of paper LGT/S2/06/6/7. We will deal with that matter on 28 March.

That brings us to the end of the meeting. I remind members that next week's meeting is in Motherwell, so they should ensure that they are in Motherwell, not Edinburgh.

*Meeting closed at 17:13.*



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