

LOCAL GOVERNMENT AND TRANSPORT COMMITTEE

Tuesday 18 April 2006

Session 2

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LOCAL GOVERNMENT AND TRANSPORT COMMITTEE

11th 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 :

George Lyon (Deputy Minister for Finance, Public Service Reform and Parliamentary Business)
Mr Brian Monteith (Mid Scotland and Fife) (Ind)

THE FOLLOWING GAVE EVIDENCE:

Nigel Barton (TNT)
Howard Brindley (Highlands and Islands Strategic Transport Partnership)
Norman Macleod (Scottish Executive Legal and Parliamentary Services)
Dr Bob McLellan (South-east Scotland Transport Partnership)
Nikola Plunkett (Scottish Executive Finance and Central Services Department)
Councillor Bob Sclater (Highlands and Islands Strategic Transport Partnership)
Councillor Alistair Watson (Strathclyde Partnership for Transport)
William Wishart (The Scottish Coal Company Ltd)

CLERK TO THE COMMITTEE

Martin Verity

SENIOR ASSISTANT CLERK

Alastair Macfie

LOCATION

Committee Room 6

Scottish Parliament

Local Government and Transport Committee

Tuesday 18 April 2006

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

Items in Private

The Convener (Bristow Muldoon): I welcome members of the committee, the press and the public to today's meeting of the Local Government and Transport Committee. I also welcome Brian Monteith MSP, who is here for one of the items; the Deputy Minister for Finance, Public Service Reform and Parliamentary Business, George Lyon; Nikola Plunkett; and Norman Macleod.

Item 1 is to consider whether to take items 5 and 6 in private. Item 5 is consideration of a proposal to request an extension to the contract of the committee's adviser on the freight transport inquiry. Given that the item relates to the contractual arrangements for the adviser's employment, I recommend that we consider the matter in private. Item 6 is consideration of our stage 1 report to the Communities Committee on the Planning etc (Scotland) Bill. The report will become public when it is finalised, but it is normal practice for the committee to consider draft reports in private.

Is it agreed that we should take items 5 and 6 in private?

Members indicated agreement.

Tommy Sheridan (Glasgow) (SSP): I object to taking the second item in private, but not the first.

The Convener: Your objection is noted.

Subordinate Legislation

Non-Domestic Rate (Scotland) Order 2006 (SSI 2006/92)

14:04

The Convener: Item 2 is subordinate legislation. For this item, we have with us the minister, George Lyon; Nikola Plunkett and Norman Macleod from the Scottish Executive; and Brian Monteith, who has lodged a motion to annul the Non-Domestic Rate (Scotland) Order 2006, which we will consider in due course.

Before we debate the motion, I give members an opportunity to ask any technical questions that they have for the minister or his officials. I will not ask the minister to make a speech at this stage because he will have the opportunity to do so in the formal debate.

David McLetchie (Edinburgh Pentlands) (Con): I understand that the business rate poundage that is proposed for England is 43.3p, compared with the 44.9p that is specified in the order. What would be the effect on the budget if the order specified a poundage of 43.3p rather than 44.9p?

Nikola Plunkett (Scottish Executive Finance and Central Services Department): To equalise the poundage would cost approximately £90 million.

George Lyon (Deputy Minister for Finance, Public Service Reform and Parliamentary Business): That is the total cost of full equalisation in 2006-07 and 2007-08.

David McLetchie: But the cost today would be half that sum. In other words, it would be £45 million.

Nikola Plunkett: It is costing us £90 million to halve the gap. It would cost us £180 million to equalise the poundage.

David McLetchie: Is it the case that the total revenue from business rates is approximately £2 billion?

Nikola Plunkett: We estimate that it is about £1.9 billion.

David McLetchie: That is based on the current rate poundage of 46.1p.

George Lyon: Yes.

David McLetchie: So a cost of 1p would work out at approximately £42 million.

Nikola Plunkett: £1.9 billion is our estimate for 2006-07, but 46.1p is the poundage for 2005-06. That is the poundage that has just finished.

David McLetchie: I will take your word for that. I thought that £1.951 billion was the forecast for 2005-06.

Nikola Plunkett: I do not have the forecast for 2005-06 with me, but I can confirm that in writing.

David McLetchie: Anyway, you estimate that, to substitute the figure of 43.3p, which is the business rate poundage in England, for the figure of 44.9p, which is in the order, would cost an additional £90 million.

Nikola Plunkett: That is correct.

David McLetchie: Will you clarify a couple of other technical points? The Scottish Executive is committed to introducing parity. My understanding is that, this year, the business rate for England was announced before the Scottish Executive announced the rate for Scotland. Is that correct?

Nikola Plunkett: I am not sure exactly when it was announced in England, but the poundage in England is tied to the September retail prices index. Once we know what the September RPI is, that gives us a way of calculating what we need to know. It usually becomes available in mid-October. I am not sure when England made a formal announcement.

David McLetchie: I am trying to get to the point about parity. We started off with 46.1p and the poundage in England is 43.3p, so the difference is 2.8p, half of which is 1.4p. Have I got my sums right? The order proposes a change to 44.9p, which is a difference of 1.2p, so we are not actually going halfway in the current year. Is that correct?

Nikola Plunkett: What did you say the English poundage rate is?

David McLetchie: My understanding is that the English poundage for 2006-07, which has already been announced, is 43.3p.

Nikola Plunkett: I think that it is 42.6p.

George Lyon: That is the figure that we have.

Nikola Plunkett: What did you say?

David McLetchie: 43.3p.

George Lyon: I think that that is the Welsh figure.

David McLetchie: No, I think that that is 43.2p. That is my understanding.

George Lyon: The figures that we have are 42.6p for England and 43.2p for Wales. I think that you have got them mixed up.

David McLetchie: If I have, I apologise. I will check that.

Will you clarify the timetabling? Who comes first, so to speak? In other words, how are you going to achieve parity next year, in terms of the relative announcements?

Nikola Plunkett: Once the September RPI figure is known, we will know what the English poundage is going to be, because England is tied to that through primary legislation. Unless it changes its primary legislation, we will know what the poundage figure will be in mid-October.

David McLetchie: It will be predictable.

What would be the legal effect on the Executive's ability to raise its revenues of our not passing the order, as Mr Monteith recommends? Is there time for the Executive to lodge another order to achieve the objective and still raise the revenues required in the current year to finance services?

George Lyon: Are you referring to the parliamentary process?

Nikola Plunkett: Are you asking what would happen if the order was annulled?

David McLetchie: If the order was annulled, would there be time for the Executive to lay an alternative order specifying a figure such as 43.3p in the pound, thereby guaranteeing the revenues that it requires, albeit that there would be £90 million less?

George Lyon: Are you talking about what would happen if the committee agreed to the motion in the name of Mr Monteith?

David McLetchie: Yes. What would be the effect of our agreeing to the motion?

George Lyon: If the committee agreed to the motion, the decision would go to the full Parliament.

David McLetchie: If the full Parliament adhered to the view of Mr Monteith and the committee, would there be sufficient time for the Executive to start the process again and raise all the requisite moneys, albeit that there would be £90 million less?

Norman Macleod (Scottish Executive Legal and Parliamentary Services): It would be possible for us to make another order. The danger is that there could be a gap, which we would do our best to prevent.

David McLetchie: But there is already a gap, because it is 18 April and the financial year started on 1 April.

Nikola Plunkett: The order came into effect on 1 April.

David McLetchie: Sorry. The order is subject to annulment.

Norman Macleod: It is subject to annulment, so our view is that nothing that has happened in April would be affected.

George Lyon: If the Parliament annulled the order, the signal would be sent out that £1.9 billion would be stripped out of the local government settlement, unless we could make up the difference.

David McLetchie: Are you saying that it would not be legally possible for the Executive to lay another order effective from 1 April to raise the same revenues, minus £90 million?

Norman Macleod: It is not possible to backdate the order. We could make another order setting out the same rate or a different rate.

David McLetchie: But that would mean that from the period 1 April until whenever another order was approved there would be no business rate levy at all.

Norman Macleod: No. I do not think that the annulment of the order would have retrospective effect. The order is valid from 1 April until annulment. Anything done under it would be valid.

David McLetchie: I understand that. I am asking whether if the Parliament agreed to annul the order, it would be possible for the Executive to bring back an order specifying a lower business rate, which would raise broadly the same revenues, minus the £90 million that we have discussed.

Norman Macleod: It would be possible to lay an order specifying a lower figure.

David McLetchie: Which would be backdated to 1 April.

Norman Macleod: No. It would be effective from the date it was made.

David McLetchie: Could it be adjusted to raise exactly the same amount of revenue, less £90 million?

George Lyon: Are you asking whether it could be adjusted to take into account the money that had not been raised? In that case the rate would have to be higher.

David McLetchie: The rate would be higher for nine months, but it would be lower for the year overall. Is that correct?

Norman Macleod: If that was thought to be necessary, which I question. I think that our views differ on the effect of the order.

David McLetchie: The question that I am trying to get answered, which I think is reasonable, is what would happen if Parliament did not accept the Executive's policy and said that the effective business rate in Scotland for 2006-07 should be

43.3p in the pound and that we should achieve the Executive's policy objective one year early. Is it legally possible to achieve that result?

George Lyon: It must be possible.

David McLetchie: Good. In effect, the argument that we have to accept the order because we cannot achieve the alternative is not correct.

George Lyon: I think that it would send all the wrong signals to business, local government and—

David McLetchie: Never mind the signals. Legally, would it be correct?

George Lyon: I am not a lawyer.

David McLetchie: That is why I am asking a technical question.

14:15

The Convener: At this point, we are just asking technical questions. It is not about which arguments are right or wrong.

David McLetchie: Exactly. I am asking a technical question. Is it possible to achieve that objective legally?

Norman Macleod: In the event that the order were annulled, we could make another one that set a rate. The rate would, again, be determined by ministers and could be set to have a certain mathematical effect.

David McLetchie: In other words, it could reduce the business rate bill for the overall year by £90 million, which would achieve the same effect as starting at 43.3p as opposed to—

Norman Macleod: Yes. That is not to say that an annulment would have no effect.

David McLetchie: No, but it would achieve the same practical result in terms of what people would pay.

Norman Macleod: There would be a cost associated with having two different rates for the same financial year.

David McLetchie: There would not be two; one of them would have been annulled.

Norman Macleod: Well, there are bound to be administrative impacts; however, that is a different issue.

David McLetchie: Why? Because people have sent out the bills in the expectation of an order being approved? I think that we could stand the cost of the postage to save £90 million.

The Convener: We are where we are for this year. However, looking ahead to future years, given the theoretical questions that Mr McLetchie

has raised about the order being annulled, would it not be sensible for the instrument to be laid earlier in order that any issues can be addressed before the start of the financial year?

Norman Macleod: I accept that that is a possibility.

The Convener: There is no reason why we could not have debated the motion earlier. You have indicated that you were aware of the English figure from mid-October last year. It would have been possible for the order to have been laid earlier.

George Lyon: Yes. It would have been possible to bring it forward.

Bruce Crawford (Mid Scotland and Fife) (SNP): I am not concerned so much about the cost as about the timescale. If we were to agree today to annul this Scottish statutory instrument, it would take a couple of weeks before the matter came before the Parliament for debate, unless it was scheduled in for next week. We would then be at the end of April, and the minister would have to lay another SSI before Parliament for a month. We would then be at the end of May before a new order could be brought into being. What would be the cost to local government of that two-month period?

George Lyon: It would be a sixth of £1.9 billion. The annulment would have the effect that moneys that were expected to be raised from 1 April would not be raised from then. The two-month delay would result in a cost of a sixth of £1.9 billion.

Bruce Crawford: How is the money from business rates paid to local government—in what tranches and when?

George Lyon: The announcement on the local government settlement has already been made. The matter has been debated and the order has been laid and approved by Parliament. That is the Executive's commitment. The money is collected into a central pool and redistributed through the formula. If the order was annulled and we were unable to collect that money, we would have to either claw money back from local government or cut other budgets to make up the difference to local government. I am not sure how that would happen, but money would have to be found somewhere to make up the difference that would result from annulment of the order.

Bruce Crawford: So something in the order of £300 million—a sixth of £1.9 billion—would be lost to local government over those two months.

George Lyon: Yes.

David McLetchie: I have just been informed that the non-domestic rate for England is 43.3p and that the figure of 42.6p reflects an adjustment of 0.7p for small businesses.

Nikola Plunkett: That is the business rate supplement; only larger businesses pay 43.3p.

David McLetchie: But we are talking about the standard rate.

Nikola Plunkett: That is right.

David McLetchie: The standard rate in England is 43.3p.

Nikola Plunkett: No; that is for larger businesses. The standard rate in England for this year is 42.6p. Bigger businesses pay a supplement, but the standard rate is 42.6p.

David McLetchie: So the small business reduction in England is not based on the same principle as our small business reduction. We normally regard small business rate relief as a deduction from the standard rate, but you seem to suggest that, in England, there is a standard rate with an add-on for bigger businesses.

Nikola Plunkett: I am trying to remember how the small business rate relief scheme operates in England. I know that 42.6p is the standard rate, so the amount that you are quoting must be with the supplement, which is for larger businesses only. Smaller businesses pay 42.6p.

David McLetchie: So you are telling me that England has a larger-business addition and we have a smaller-business reduction.

Nikola Plunkett: Sorry, but I do not see what you mean.

David McLetchie: What we call a standard rate is subject to a deduction for small business relief.

Nikola Plunkett: We do not reduce the poundage in Scotland for small businesses; we give them a certain percentage relief on their bill. Larger businesses in Scotland pay a supplement, which is 0.4p over the standard poundage, whereas small businesses have their rates bill reduced.

David McLetchie: I am not wholly convinced about that, but we will come back to the matter once we have read the *Official Report* of the meeting.

Tommy Sheridan: Will the minister confirm that we are discussing the retention of a system that requires local authorities to administer the scheme completely? Is it the case that you give an instruction to local authorities, but they administer completely the collection and payment to the Scottish Executive and the Scottish Executive plays no role in the collection or other administration of the scheme? If so, is the Executive considering relocating non-domestic rates in line with the Local Government Committee's recommendation in 2001?

George Lyon: You are correct that local authorities collect the rates. Ministers have no plans to give back to local authorities the power to make decisions on business rates.

Tommy Sheridan: In light of that, what is the estimated net loss to the city of Glasgow from the retention of the centralised scheme? How much, net, will the city of Glasgow lose, from what it pays in to what it gets out?

Nikola Plunkett: I do not have the details of all the backwards and forwards, but I can send that to you.

George Lyon: We can certainly furnish you with the information.

Tommy Sheridan: For the past few years, the figure has been more than £60 million. Do you estimate that it will be much less or more than that?

Nikola Plunkett: I cannot say.

George Lyon: It will be in line with that.

Tommy Sheridan: So you will send us the guesstimate.

George Lyon: Yes. It should be pointed out that we have introduced the city growth fund in response to concerns about councils' ability to raise business rates and spend. The scheme has been in place for the past two or three years and has been welcomed by the cities that qualify.

Tommy Sheridan: To be absolutely clear, do you admit that the city of Glasgow will lose out from the scheme in net terms?

George Lyon: Do you mean from the centralisation and redistribution of the rates?

Tommy Sheridan: Yes.

George Lyon: That has always been the case, just as other councils benefit from that redistribution.

Tommy Sheridan: I am asking about the city of Glasgow.

George Lyon: I understand that, but others have interests, too.

The Convener: As there are no more questions, we will move on to the formal debate on motion S2M-4112, in the name of Brian Monteith.

Mr Brian Monteith (Mid Scotland and Fife) (Ind): I am glad to see from the questions that have been asked about technical matters that my motion has already provoked a great deal of interest. That was my purpose in lodging it. I feel as if I am leading the charge of the Light Brigade in as much as even if I win the arguments—take the cannons—I will undoubtedly lose any vote and be politically slaughtered.

I lodged the motion because I think that it is important to test the Executive's policy in a variety of ways. I am sure that it will be mentioned that a possible effect of agreeing to the motion would be a temporary or even a permanent loss of income that would result from the non-collection of non-domestic rates, which we commonly refer to as business rates. Even were my motion not to be agreed to—although I have no doubt that the full Parliament could agree to what I propose—I have no doubt that, as David McLetchie has been testing, it would be possible to introduce other arrangements.

I have lodged a similar motion in the past and I felt that it was important that I do so again. Some five years ago, Jack McConnell, who was then the Minister for Finance, abandoned the policy of having the same business rate as the rest of the United Kingdom and imposed a rate poundage on Scottish business that was just over 10 per cent higher than that in England. The differential has been roundabout that level ever since.

I welcome the Executive's proposal to close the gap over a two-year period and to achieve equalisation with England in April 2007. I think that the Executive is going in the right direction and I thank Nicol Stephen for prodding it along that path. However, it is too little, too late. Scottish firms have paid some £838 million more than their English counterparts since the Executive began setting the business rate. Even if full equalisation had been achieved this year rather than in 2007, Scottish firms would have been at a competitive disadvantage over the preceding period.

I will explain why the competitive disadvantage from which Scottish business suffers is not just theoretical. Scottish economic growth has consistently lagged behind that of the UK. As the Enterprise and Culture Committee reported last month, Scotland lags behind its UK and Organisation for Economic Co-operation and Development country competitors when its economic performance is measured against a number of key factors.

The Executive's figures on business start-ups show that, with a VAT registration rate that was 26 per cent below the UK average in 2002, Scotland was ninth out of 12 UK regions. According to the Executive's data on small and medium-sized enterprises becoming larger companies, in 2004 Scotland had only 12 firms with value added figures of between £250 million and £1 billion, which represents about 5 per cent of the total of 221 firms of that size in the UK. Last month, David Watt, who is the director of the Institute of Directors in Scotland said:

"If you look at our business start-up rate and our economic performance, it doesn't seem to be improving comparatively".

That word “comparatively” is important. He went on to say:

“The performance has not been what we all hoped for, if you look at the figures.”

David Bell, who is a professor of economics at the University of Stirling, has calculated that the private sector in Scotland has grown by only 12.8 per cent since 1998, while the public sector has expanded by 19.3 per cent, which means that Scotland's private sector is stuck in the slow lane. According to an article in *The Scotsman*, Professor Bell's figures reveal that

“The public sector GVA has grown by 20.7 per cent in the UK and 19.3 per cent in Scotland. But the private sector has risen by 20.1 per cent in the UK, against just 12.8 per cent in Scotland.”

There is not a great deal of difference between the figures for the public sector, but there is a significant difference between those for the private sector. Professor Bell said:

“The gap between rates of growth in the UK and in Scotland is almost entirely explained by the gap in performance of the private sector.”

He warned that given the slow-down in the amount of money that Scotland will receive from the Treasury,

“future growth will be dependent on increasing the economic health of Scotland's private sector”.

That is the kernel of my argument. We need to equalise business rates. Although I welcome the Executive's progress in that direction, I only wish that changes were being made immediately. We need to create a competitive advantage by reducing business rates. I know that this might be challenging to some committee members, but I would go so far as to say that we should have a programme to phase out business rates altogether. If the Parliament or this committee were to meet me even halfway, it would give Scottish businesses a significant competitive advantage because altering business rates is one of the only levers that this Parliament currently has at its disposal to help the economy.

14:30

Before we argue for control over more taxes, it is incumbent on politicians in the Scottish Parliament to look at what powers they have already and to start exercising them. It would be worth supporting my motion at least to take the debate into the full chamber where further debate can be had and the Executive's policy can be tested.

The technical matters that we discussed earlier could indeed have an effect on the budget. If I am fortunate and my motion succeeds, I will provide more detailed figures to explain how accommodations might be made. Other members

could do the same so that we can have a full debate on how we could afford such changes.

There could of course be another effect—business growth in the private sector resulting in the creation of more businesses and more revenue from their taxes.

I put it to the committee that it is worth while to test the Executive's policy, to take this debate to the chamber and to analyse why we cannot at least have full equalisation in the current parliamentary year, and if not, to go further at a later date to create a greater competitive advantage.

I move,

That the Local Government and Transport Committee recommends that nothing further be done under the Non-Domestic Rate (Scotland) Order 2006 (SSI 2006/92).

George Lyon: I have no doubt that Mr Monteith's arguments have provoked a great deal of interest and I welcome the debate.

I will expand on the rationale behind the current poundage order. Few would challenge the proposition that the key to our future prosperity is a successful economy—Mr Monteith strongly supported that notion—populated by successful businesses that drive our economic growth.

It is interesting to note that independent forecasters monitored by the Executive predict at or above-trend growth in 2005 as a whole. The predictions for the current year are that we have drawn level with, if not done better than, the UK economy.

It is the Government's role to create the right conditions in which businesses can grow. Businesses have told us that the business rates that they pay can impact on their profitability and they have argued for a level playing field with their competitors south of the border.

We announced last year that from 1 April 2006, we would reduce by half the existing gap between the Scottish and English poundage rates and that we would close the gap completely from 1 April 2007. I welcome Brian Monteith's acknowledgement that that is a substantial step forward, albeit that we might disagree about the timescale. That measure not only equalises the poundage but delivers a significant competitive advantage to Scottish businesses because valuations in Scotland tend to be lower than those in England and Wales. Therefore, equalisation of the poundage rate will deliver competitive advantage to Scottish business, which we would all welcome.

Business organisations have publicly welcomed that announcement and the poundage set by the order fulfils our pledge and the expectations of business.

Mr Monteith raised concerns about the competitive position of business. If we look at total business tax revenues as a percentage of gross domestic product, 9.2 per cent of Scotland's GDP comes from business tax revenue, while countries such as Sweden, France and Finland report figures of 14.6 per cent, 15.1 per cent and 16.5 per cent. On the basis of the total business take, only the USA and Ireland have a competitive advantage. That is the appropriate measure of the competitiveness of the business environment in Scotland.

If Mr Monteith's motion were agreed to, it would damage Scotland. Businesses have based their business plans for 2006-07 on the provisional poundage rate of 44.9p. Agreeing to the motion would introduce uncertainty for the business community and local authorities. Action could be taken in Parliament to address the consequences of the motion, but only after a gap of at least two months, as Mr Crawford outlined. Councils have already issued rates bills for 2006-07 and any changes to the poundage rate would require them to issue revised bills to every non-domestic ratepayer.

If the motion were agreed to, the Parliament would debate the order. If the Parliament decided not to approve the order and no replacement order were made, local government would lose income in 2006-07 of about £1.9 billion. Local authorities would be unable to collect that amount and the Executive would be obliged to make up the shortfall through additional revenue support grant or to seek parliamentary approval for paying a reduced sum to our councils.

If the Executive made up the shortfall in full, we could do so only at the expense of other programmes. I will put that into perspective. We would have to cut national health service spending by one fifth, the budget for enterprise and lifelong learning by almost two thirds, or the entire transport budget. That is the scale of the budget readjustment that would be required.

On the other hand, if we sought parliamentary approval to pay councils a reduced sum, that would be broadly equivalent to closing half of all primary and secondary schools, spending nothing on social work—including community care—or wiping out the combined budgets of the police and fire services. That is the scale of the proposed changes.

To back his proposal, I suggest that Mr Monteith should identify where the cuts that he appears to seek should fall. That might give us a better idea of how he sees the way forward.

Given the fundamental weaknesses of Mr Monteith's motion, I hope that the committee will reject the motion and allow the order to be approved.

Tommy Sheridan: I oppose Mr Monteith's motion, not because of some of the arguments that we have heard, but because of the timing issue and local authorities' preparation for providing essential services. If the motion had been lodged earlier, it might have been given more consideration without the loss of essential moneys from local authorities.

It is unedifying to hear a Liberal minister discuss the centralisation of business rates and tell us that the Executive has no plans to relocalise business rates, although that is Liberal Democrat policy and despite the recommendations of the previous Local Government Committee's inquiry and of the Westminster local government inquiry. It is well past time to return to local authorities the power to set business rates. When opposing my Council Tax Abolition and Service Tax Introduction (Scotland) Bill, many members talked about the need to promote and retain local democracy, but they are more than silent about returning the setting of business rates to local democracy. A member's bill on that subject has been proposed and I hope that it will come to the committee.

I reject wholly the idea, presented by Brian Monteith and the minister, that business rates are somehow or other an essential element of competitiveness for business. I have seen no comprehensive evidence that business rates determine whether businesses locate themselves or are established in a local authority's area. Indeed, Mrs Thatcher's Government tried desperately to find evidence that business rates were such an influencing factor but had to conclude that an area's proximity to markets, level of public service provision and road and public transport networks were much more important than the business rates. That has to be borne in mind during this discussion.

David McLetchie: I support Brian Monteith's motion. It is instructive that the minister's comments, which were financial scaremongering about the catastrophes that would befall us if the motion were approved, were obviously written before the answers that were given by his advisers today. That was particularly evident with regard to the answers to my questions, which established conclusively that it would be perfectly possible for the Parliament to put in place a mechanism for the levying and collection of non-domestic rates for the current financial year that would yield a total of no more than £90 million less than is currently posited on the basis of the figure that is in the order. Although the Scottish Executive and the Parliament might have to jump through the odd legal hoop to achieve that result, it is, nonetheless, a legal possibility. We should bear that in mind.

Regardless of whether it would cost the Scottish Executive £90 million or—as I believe—£70

million, the point is that we could achieve effective parity now. That would be a small price to pay, given the fact that, as Brian Monteith said, the business community has paid more than £800 million more in business rates than would have been the case had parity been maintained after 2000. With regard to the businesses that the minister said had based their business plans on paying more, I cannot imagine that they will shed many tears if they get a revised bill telling them that their costs for running their business in 2006-07 will be less than they thought that they would be. That is the sort of news that is welcome to businesses rather than being a source of anguish or a cause of complaints about having to tear up plans and start again.

Mr Lyon and Mr McCabe are working on plans that will deliver something in the order of £745 million to £900 million-worth of cash-releasing savings in 2007-08. I think that it is remarkable that we can, apparently, conjure up such savings in the next financial year but cannot produce £70 million or £90 million in this financial year in order to achieve parity now. It strikes me as incredible that not a penny can be saved for this purpose in 2005-06 but, all of a sudden in 2007-08, £745 million can be released like a financial cascade of bounty.

The argument about affordability does not stack up. There are more than enough resources to enable us to achieve effective parity now. The convener's questions drew out the fact that it would be far better if we were to debate the orders in January or February in the calendar of parliamentary activities rather than having to debate them in a belated fashion after the financial year has commenced.

What I have heard today leaves me in no doubt that the policy of having parity now is affordable and legally achievable and I believe that, therefore, the committee should support Mr Monteith's motion.

Bruce Crawford: I support the Executive's attempts to get the business rate poundage down to parity. However, I also absolutely support the idea that we should be trying to ensure that we have an edge on our competitors, which means that we must bring the rate down below that which is in place in England and in other countries with which we compete.

I do not accept some of what Tommy Sheridan said. Although the effect might be marginal, I am pretty sure that lowering business rates would increase wealth. It would of course be useful to get more evidence on that.

14:45

It is a pity that even if, through lowering the rate, we did get the Scottish economy growing more,

and if the taxes flowed in from all those businesses that were doing so well, we would not see any of the benefit in Scotland, given that it would not come to us through the Barnett formula, which would remain at the same level. It has always struck me that Scotland is a bit of a basket case in the sense that we can destroy our economy or grow our economy as much as we like, but we get roughly the same amount of money. It is affected only marginally by what happens in Scotland. A more radical step needs to be taken to grow the Scottish economy more successfully. That goes beyond the matter of business rates. Members would expect me to say this, but it is more a matter of the fiscal powers that are available to this institution to get the job done properly.

David McLetchie has spoken about odd legal loopholes being filled and the legislative action that is being carried out here to ensure that. That odd legal loophole would last for two months. David McLetchie will find that the SSI was laid at the beginning of March and came into force on 1 April. It took a month to get the SSI through. It is now almost the end of April and, by the time we get the instrument through this process, it will be almost the end of May. One sixth of £1.9 billion would be the real cost of the measure. The sum would be £316 million or thereabouts, if I have done my sums correctly. That is more than just an odd legal loophole that would have to be filled.

The Executive has offered one way to sort out the situation. It could also give local authorities the power to add a supplementary council tax element to fill the gap, but that would be at considerable cost to the council tax payer. If it wished, it could make alternative proposals, such as the one that the minister has suggested. Of course, if the instrument was annulled by the Parliament, the business poundage rate that would need to be brought in to fill the gap would be higher than it was when we started.

David McLetchie: For 10 months.

Bruce Crawford: Exactly—for 10 months. The overall sum might be the same, but the actual business poundage rate, which would need to be set to cover the gap for the two months, would become higher. That would be the only way to get the books to balance in the end. It is all well and good David McLetchie sitting there, shaking his head and agreeing with everything that Brian Monteith has said. Not being the leader of the Conservatives has obviously given him a bit more freedom; not being in the Tory party has given Brian Monteith even more freedom to suggest this ridiculous way of trying to run our country.

We might accept some of the principles of what those members want to do, but the mechanics that they propose to use would either put the council

tax payer in severe jeopardy or result in services being cut all over the place. I hope that the Tory party is on the road to Damascus as far as this is concerned. To sort the matter out, the Scottish Parliament needs full fiscal powers to get the economy growing in a proper way and for us to benefit from that growth.

Michael McMahon (Hamilton North and Bellshill) (Lab): This committee and its predecessors since the creation of the Scottish Parliament in 1999 have examined local government finance on a number of occasions. We recently considered the potential consequences of Tommy Sheridan's Council Tax Abolition and Service Tax Introduction (Scotland) Bill. Regardless of all the points that have been made by Brian Monteith, David McLetchie and Tommy Sheridan, which are all legitimate issues for debate, concerning how we use businesses to help grow the economy, the one thing that has always emerged in our consideration of local government finance—aside from the labyrinthine ways in which formulas are concocted and funds are distributed—is the need for stability. Local authorities need to know how much money they will receive and when they will receive it, so they can maintain their services with a regular income. Businesses have also said that they require stability to plan ahead. They need stable interest rates, inflation and all the other things that people want to be as stable as possible. That is what we should be aiming to achieve.

I can understand Tommy Sheridan's wanting to turn things over, coming from the perspective of revolutionary socialism, but today's call for revolutionary conservatism takes us beyond anything that we have heard before. Never before have Conservatives come to the Local Government and Transport Committee intent on dismantling the stability that local authorities and local businesses will need in the next couple of years, no matter how we have debated the issue of local government finance. I never expected to hear politicians say at this committee that we should annul a non-domestic rates order and create economic and financial instability for local authorities and local business communities. For that reason, I will not support Brian Monteith's motion.

The Convener: I will make a few brief comments. I will resist the temptation to get into a debate with Bruce Crawford about fiscal autonomy or fiscal freedom—or whatever he wants to call it this week. I am sure that we will debate that issue on some occasion in the chamber.

Bruce Crawford: The sooner the better.

The Convener: Mr Monteith was one of the leading advocates of the no-no campaign that did not want this Parliament in the first place, so it is

astonishing that he now wants to push the Parliament's boundaries and abolish non-domestic rates. Even Margaret Thatcher's Government and, indeed, Michael Forsyth did not choose to take such action when they were in power. I appreciate that the official Conservative line, which Mr McLetchie expressed, is to have the same rate as that in England, but Mr Monteith made it clear that he wants a move towards the abolition of non-domestic rates altogether. The impact of that would be a substantial hole in the public finances that have to pay for much of the investment from which business as well as members of the public benefit, such as investment in transport infrastructure or the school and higher education systems. Another impact could be a transfer of the non-domestic rates burden from the business taxpayer to the individual council tax payer.

Mr Monteith did not make it entirely clear which of those possibilities he favours. Nonetheless, he seems to adhere to the position that what Scotland did not like about Thatcherism was that it did not get enough of it, so he advocates more Thatcherism as the solution. I suspect that if the Conservative party proposed such a solution it would not see a sudden resurrection in its performance at the polls that would take it beyond having only one single Scottish MP.

On the issues about the economy that Brian Monteith raised, many people in Scotland would not want to return to the days of Conservative rule and the difficulties that the economy suffered then. Currently, Scotland has high levels of economic activity, some of the most highly educated people in the European Union, low and stable interest rates and low and stable inflation. Many in the business community and many individuals in Scotland would have wished to see such factors during the period of Conservative rule, but sadly they were missing for that whole period. The current levels of employment were not even dreamed of or aimed for by the Conservative Governments—never mind achieved—during their period in power. I do not think, therefore, that we need lessons from Mr Monteith on how to run the economy.

Finally, I will respond to Tommy Sheridan's point about Glasgow losing out on the non-domestic rates front. It is important when we consider local government finance that we consider all contributions to it rather than only one element, such as non-domestic rates. Glasgow City Council receives the highest local authority funding per capita of any mainland council. That is right, given the social and economic challenges that the city of Glasgow faces. However, it is not right to focus on just one element of the contributions to Glasgow City Council's finances—the non-domestic rates element. If we took the purist approach that each local authority should obtain all its income from

non-domestic rates and that there should be no balancing factor, some poor parts of Scotland would lose out considerably and some fairly wealthy parts would benefit considerably. I would not expect Mr Sheridan to want that sort of outcome.

We must consider local government finance in the round. Non-domestic rates and their contribution to local authorities' ability to regenerate and invest in their communities must be taken into account alongside central Government financing of local government and, indeed, the amount of money raised from council tax.

I will oppose Mr Monteith's motion because its intention is to try to destabilise the Government. In fact, it is a rather shoddy attempt to get headlines for Mr Monteith. I am sure that committee members will comprehensively reject his arguments when we come to a vote.

George Lyon: I will make just a couple of points. Mr Sheridan rejected the idea that business rates influence competitiveness. It is unfortunate that he has chosen to leave before we have got to the end of the debate. We all understood from his speech in the stage 1 debate on his Council Tax Abolition and Service Tax Introduction (Scotland) Bill that he is not worried at all about how many businesses shut up shop and leave the country. He said that he does not care. That says everything about his view of business and whether business rates add to their competitiveness or otherwise.

Mr McLetchie made a substantial speech, but my problem with it is that he spoke to a motion that he wished was before the committee, not the motion that is before the committee. Mr Monteith's motion is a motion to annul the order, not to reduce business rates or equalise them in one fell swoop. We are responding to that motion, which would result in the annulment of business rates. Although Mr McLetchie might try to say that there are all sorts of legal issues about retrieving the situation, the fact is that, if the motion is agreed to, business rates will be lost to the Executive and appropriate action will have to be taken.

Michael McMahon was correct to say that we should support the plans that the Executive has laid out well in advance, which create stability and certainty for local government and businesses, not confusion and uncertainty. If the committee were to support Mr Monteith's proposal, it would create confusion and uncertainty as to what the business rate would be for the forthcoming financial year and, on that basis, I ask committee members to reject his motion and support the Executive position.

The Convener: I ask Brian Monteith to sum up and indicate whether he wishes to press or withdraw the motion.

Mr Monteith: I will press the motion and respond to a number of points that members have made. I will leave Tommy Sheridan's points to last in case he comes back, as I realise that he was called out by a note.

I respond first to an inaccurate comment by Bruce Crawford, which was essentially a cheap, political point-scoring argument that, because I am no longer in the Conservative party and David McLetchie is no longer the leader, neither of us has a particular interest in the matter. I point to the *Official Report*, which shows that I have taken an interest in the matter previously. Indeed, I brought before the committee a motion to annul a similar order in, I think, 2004 and forced the matter to the vote. The Scottish National Party member who was then on the committee voted against that motion based on arguments that were not about the economics but about the procedures, which did not seem to fit easily with his party's policies, just as the arguments that Bruce Crawford has made are a contortion of his party's policy. The fact is that I am proposing something for which I have argued consistently for a number of years. When I brought it before the committee in 2004 I was the Conservative finance spokesman, and I did so with the authority and approval of David McLetchie as leader. Therefore, my approach is entirely consistent, as is David McLetchie's, although I do not wish to put words in his mouth.

15:00

Michael McMahon commented on the stability of local government. That is an important issue and I do not wish to demean it, but the argument is false. We know that non-domestic rates are collected by local authorities, go to the Treasury and come back from there to the Scottish Executive in addition to the block grant. That is really where the relationship with local authorities ends, because we know that what local authorities receive bears no relation to what they raise in business rates. What is important to local authorities is the Scottish Executive's calculation of how much they should get, but that bears no relation to how much they raise. People want to make the comparison for the obvious reason that many MSPs and people in local authorities are concerned that there is a disparity between what local authorities raise and what they receive. Those people hark back—as Tommy Sheridan and no doubt others do—to the time when there was a clear link. That is a separate argument. If people believe that local authorities should collect domestic and non-domestic rates, fair enough, but the idea that the motion is about destabilising local

authority finances is wrong. Were the money from non-domestic rates not to be available to the Scottish Executive, it would be for it to find a solution, which would not necessarily involve the funding that it presents to local authorities. The argument does not hold water.

The convener focused on my time as campaign manager for the no-no campaign. His point was rather facile, for the simple reason that on many occasions he has heard me say, both privately and publicly, that the Scottish people have crossed the Rubicon—the Parliament is here to stay—and he has heard me advocate greater powers for the Parliament. It does not hold water to say that it would be unexpected or hypocritical of me to propose that we should be able to vary or, indeed, abolish non-domestic rates. I am not alone in thinking that. People such as Professor Sir Donald MacKay, the former chairman of Scottish Enterprise who is often courted by the Executive and by others for economic advice, has written a number of papers advocating the phasing out of business rates. That is what I advocate: the phasing out of business rates over eight to 10 years—a period in which that could be gradually achieved. It is not such a revolutionary idea. It is about giving Scottish businesses a real advantage.

I come to Tommy Sheridan's points. First, the issue is not so much the timing of the motion as the timing of the order. That is beyond my control. My motion is timed according to the timing of the order. I am sure that members will appreciate that I would have lodged the motion if the order had been laid sooner. If the only thing that comes out of this meeting is that the committee is able to bring pressure to bear so that such orders are laid earlier, I will be pleased.

In turning to the minister's points, I shall take up Tommy Sheridan's point about competitiveness. I have three areas to pick up on, the first of which is affordability. It is clear that the minister's proposals—the ones that I have welcomed, half-hearted though they are—are being made possible by efficiency gains. I have no doubt that efficiency gains could be used to stretch them further. That argument has been put by David McLetchie. However, I point out—perhaps the committee has forgotten—that there were times when the projected income from non-domestic rates was less than what was taken. Was the non-domestic rate reduced the following year to return some moneys to business? No, it was not. The Scottish Executive pocketed the money and went on either to raise the non-domestic rate or to keep it as before. The idea that the Scottish Executive does not have the means to fund a greater cut in the non-domestic rate does not hold water. Equally, the valuation argument, which was previously used as a defence for having a higher

non-domestic rate, is not an adequate argument for now cutting it.

Competitiveness is important. In the competitiveness tables, sponsored or published—I cannot remember which—by the *Financial Times*, I recollect that England is 16th and Scotland is 22nd. That means that when cross-border decisions have to be made, and employment law, taxes, the availability of graduates or a skilled workforce, and the infrastructure are equal—and they often are—other things, such as business overheads, come into play. I have never argued that rates are the main or the only factor, but they are a factor, so it is important that we give Scottish business a degree of competitiveness in that area.

It was interesting to hear the minister's international tax comparison figures. The two countries above Scotland are the United States of America and Ireland. We all know that the projected economic growth rates of those two countries are far higher than those of Scotland and the UK.

On competitiveness, I point out to members that the leader of the Liberal Democrats has pointed out that further cuts in non-domestic rates might be on the agenda. Recently, the Scottish National Party leader included the cutting of business rates to below parity in the plans for the first 100 days of a future SNP coalition government.

It never fails to tickle me that those who campaigned for the Parliament throw up their hands in horror when a member who was against it quite rightly uses parliamentary procedure to try to effect change. I support the Parliament's existence. It is important that we use its procedures, and those procedures allow us to make this change.

I have no doubt that even if my motion is passed by this committee, the Parliament will never pass it. For that reason, I appeal to members such as Bruce Crawford and Andrew Arbuckle to consider that it would be worth while taking the issue to the chamber, where a fuller discussion could be had of the merits and demerits of cutting rates.

The Convener: Thank you. Mr Monteith indicated that he will press the motion.

The question is, that motion S2M-4112, in the name of Brian Monteith, be agreed to. Are we all agreed?

Members: No.

The Convener: There will be a division.

FOR

McLetchie, David (Edinburgh Pentlands) (Con)

AGAINST

Arbuckle, Mr Andrew (Mid Scotland and Fife) (LD)
Crawford, Bruce (Mid Scotland and Fife) (SNP)

Jackson, Dr Sylvia (Stirling) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McMahon, Michael (Hamilton North and Bellshill) (Lab)
 Muldoon, Bristow (Livingston) (Lab)

The Convener: The result of the division is: For 1, Against 6, Abstentions 0.

Motion disagreed to.

The Convener: That will be reported in the committee's report to Parliament. I thank Mr Monteith for his attendance.

Transfer of Property, Rights and Liabilities from the Strathclyde Passenger Transport Authority and the Strathclyde Passenger Transport Executive to the West of Scotland Transport Partnership Order 2006 (SSI 2006/111)

The Convener: Item 3 is consideration of three orders.

On the first order, no motion to annul has been lodged and no points have been raised by members or by the Subordinate Legislation Committee. Are we agreed that there is nothing to report on the order?

Members indicated agreement.

Strathclyde Passenger Transport Area (Variation) Order 2006 (SSI 2006/112)

The Convener: As with the first order, no member has raised any points. The Subordinate Legislation Committee raised a point and there is an extract of its note with the order. No motion to annul has been lodged. Are we agreed that we have nothing to report?

Members indicated agreement.

National Bus Travel Concession Scheme for Older and Disabled Persons (Eligible Persons and Eligible Services) (Scotland) Order 2006 (SSI 2006/117)

The Convener: No motion to annul has been lodged. The Subordinate Legislation Committee has not raised any points and no member has raised any points. Is it agreed that we have nothing to report on the order?

Members indicated agreement.

Freight Transport Inquiry

15:10

The Convener: As part of our on-going inquiry into freight transport, I welcome our panel of witnesses: Councillor Alistair Watson, chair of the Strathclyde Partnership for Transport and—we will hear about this in due course—perhaps also of the new west of Scotland regional transport partnership; Dr Bob McLellan, chair of the management team for the south-east Scotland transport partnership; Councillor Bob Sclater, vice-chair of Highlands and Islands strategic transport partnership; and Howard Brindley, the HITRANS co-ordinator. I understand that Dr McLellan will make an introductory statement on behalf of the panel. We will then move to questions from the committee.

Dr Bob McLellan (South-east Scotland Transport Partnership): Thank you for the opportunity to come before the committee this afternoon. I have only a few comments to make. The committee will be aware that, under the new regional transport partnership arrangements that came into effect as of 1 December last year, the south-east Scotland transport partnership was able to retain the name SESTRAN. The new organisation has yet to make any formal appointments; technically speaking, SESTRAN is an organisation with no employees—it is probably the leanest organisation that has ever been in existence. That said, in the transition from the old organisation to the new, I have retained the position of chair of the management team.

I will keep to general points in these introductory remarks. We are happy to answer questions at a later stage. A key element of the first year of the RTPs is the generation of new regional transport strategies, which is an excellent opportunity for freight and other issues to be dealt with in harmony, partnership and liaison. The freight industry can bring what it feels is required to that discussion. Obviously, recognition must be given to the fact that freight is a very important factor for the RTPs. The timetable for the strategies allows time for debate on issues such as freight.

Another general point to note is that, as the committee is aware, the new boards will have external members. It is therefore possible that the new RTPs will include representation from the freight and haulage industry. That would allow the industry to influence things from within, as well as from without. If that were to happen, we would welcome it.

I have a further couple of general points on freight in the SESTRAN area. We have to be careful to keep a close eye on infrastructure in the

council areas that come under SESTRAN—and, indeed, across Scotland. There are a lot of weight and width restrictions, and infrastructure is a big problem.

I do not know the exact figures—they are in the tens of thousands—but the damage that heavy goods vehicles do to our roads is exponential. The highest figure that I have heard is that the damage done by one HGV is 64,000 times greater than that done by a normal car; the lowest is that an HGV does 10,000 times more damage than a car. We have to keep an eye on our infrastructure if we are to look after the economic well-being of the south-east of Scotland and, indeed, all the RTP areas. We need to keep freight moving to service our town centres and businesses.

The Convener: Thank you. We move to questions from the committee.

Michael McMahon: I suppose that my question is for all panel members, as each of you will have your own experience of transport and of the way in which it impacts on your ability to provide public services in your area.

During our inquiry, a number of rail operators have told us that the expansion of the passenger transport network is having an impact on their ability to run freight trains. They spoke about delays and the resulting economic impact. What is your response to those concerns?

Councillor Alistair Watson (Strathclyde Partnership for Transport): I have always been an advocate of the approach that, if there is growth in the railway industry, we should provide growth in the infrastructure. A number of current projects will do just that. We have to be careful that, in the drive for growth in the passenger transport market, we do not squeeze out the freight sector.

The freight industry is critical—certainly, it is critical to the west of Scotland economy. The west coast main line handles about 60 per cent of the country's rail freight. Of course, there is additional capacity on the west coast main line through infrastructure improvement, but if we do not build on that the additional capacity will be taken up fairly quickly, perhaps by 2016. We should consider the matter in the round: if we increase railway infrastructure, we should be mindful that some of that capacity must be reserved for freight.

15:15

The Convener: You referred to capacity on the west coast main line. A number of the people who have made representations to the committee said that a top priority is investment in the potential diversionary route in the south-west, to provide an alternative route when the main line is not available. Do you agree?

Councillor Watson: I will go a step further. The Glasgow and south-western line should be regarded not as a diversionary route but as part of the infrastructure of the west coast main line. It is not long since British Rail proposed what almost amounted to a partial closure of the Glasgow and south-western route. The route is 90 miles long and has lacked financial investment from the railway industry for many years, but it has huge potential to shift not just freight but passengers.

An interesting aspect of south-west Scotland is the area's huge timber industry. This is a bit of a history lesson, but I drove trains in the area for the best part of 15 or 16 years and I know that it is pretty difficult for the industry to get its timber to market, because the road and rail infrastructure in south-west Scotland is simply inadequate. If we are to make a case for railway investment in south-west Scotland we should urge the Governments in Scotland and at Westminster to regard the Glasgow and south-western line as an integral part of the infrastructure of the west coast main line, for which investment should be forthcoming on, for example, gauge clearance for containerised traffic and electrification. Such investment would give the freight industry in particular the lift that it needs.

Michael McMahon: It has been suggested that the problem could be overcome if more freight were moved at night. Would that raise practical difficulties, or would such an approach have the impact that is suggested?

Councillor Watson: I do not know. Freight must reach its market in one way or another. It is ironic that much rail freight is carried at night. My constituents tell me that a huge amount of coal traffic regularly runs by Hillington and Cardonald at night. We need to increase capacity for freight in the rail network, because at present capacity is not sufficient. Strathclyde Partnership for Transport is promoting the proposals for the Glasgow airport rail link—the convener is well aware of those proposals. There will be additional capacity between Glasgow and Paisley and it will be for not just the airport rail link service but the whole railway industry to use that capacity. I assure members that the rail freight industry is well aware of the potential of the proposed capacity enhancement to enable more freight to be shifted, in particular at night.

Councillor Bob Sclater (Highlands and Islands Strategic Transport Partnership): I thank the convener for allowing HITRANS to be represented at the meeting. The HITRANS area has single-track rails, which are not suitable for much freight, and there are problems to do with the size of containers that are used on the railway. We are trying to ensure that the line between Aberdeen and Inverness will be upgraded, but not

much freight is carried elsewhere in the HITRANS area, which is a problem for us. We would like more freight to be taken off the roads and carried on the railways, if that is possible.

Michael McMahon: The accessibility of areas in the Highlands is a difficulty. How might the rail network be expanded to bring benefits to such areas, given the practical difficulties of building railway in difficult terrain?

Councillor Sclater: We really need to think about upgrading what we have at present, to see whether there is any way in which we can get the larger containers on to rail. That is the only way forward for the HITRANS area.

Mr Andrew Arbuckle (Mid Scotland and Fife) (LD): The HITRANS submission mentions the transfer of some freight on to coastal shipping, but there is not much evidence of that happening. That question is not just for HITRANS, but for the other panel members.

Councillor Sclater: We would like coastal shipping activity to increase, right enough, and to see whether more cargo can be carried on smaller coasters. There has been a big decline in the number of small coasters—1,200 to 1,500-tonne ships—that could operate around the north of Scotland. You will appreciate that some of the ports in the north of Scotland cannot handle ships much bigger than that. Except for Invergordon, the ports along the north-east coast are not suitable to handle big ships. Even Inverness cannot handle big ships. To get the freight on to those ships requires a fleet of small coasters that can handle that type of cargo. The problem is the size of vessel that can operate in the ports in the HITRANS area.

Councillor Watson: I believe that we have the opportunity to shift some freight from road to sea. I earlier alluded to the timber market. It has only recently been brought to my attention that there is a problem in getting timber that is ready for harvest on the Isle of Arran to market. The timber that is ready for harvest is on the south of the island, but the jetty and docking facilities are some way away and are not that good. If there is to be a shift to coastal sea-borne traffic, good jetty and docking facilities need to be made available, and specific markets, such as coal and timber, should be targeted.

Mr Arbuckle: I have one other question. In his opening remarks, Dr McLellan mentioned restrictions on HGV road traffic due to infrastructure. I imagine that he meant weak bridges, in particular. Does anybody have any idea what percentage of our road network has weight restrictions on it?

Dr McLellan: I do not have the numbers immediately to hand, but one of the statutory

performance indicators that we are required to supply to Audit Scotland is the number of bridges that have either weight or width restrictions on them. I can supply the committee with that information. Fife Council has about 550 bridges, of which almost 200 have weight or width restrictions of some type on them. I imagine that the ratio will be the same throughout the country.

Irrespective of whether we are talking about road, rail or sea freight, the beginning and end of the journey will almost inevitably be on road, and that is where we have a problem with the infrastructure. HGVs can cause damage, as I explained. The vast majority of the figures that I have indicate that 60 per cent or more of freight movement covers less than 50 km and that more than 40 per cent of that movement covers less than 25 km. We are talking about very short distances, in the main.

We must keep a very close eye on the infrastructure, as adequate investment has not been maintained over a period and we could reach a stage at which goods cannot reach their markets, either inwards or outwards. That would not be good for the economic well-being of the country as a whole.

Paul Martin (Glasgow Springburn) (Lab): I want to ask the panel about their experience over the past five or 10 years. What has been their experience of the willingness of the rail network to move towards freight transport and accommodate the freight needs of the various companies that make use of rail?

Councillor Watson: My understanding is that the railway industry has always been keen to encourage the switch from road to rail. There was, and still is, a freight facility grant. I have talked to experts in the field, including large hauliers such as John G Russell (Transport) Ltd over at Mossend and WH Malcolm, and have heard that the system for qualifying for the grant is bureaucratic and cumbersome and that many smaller and medium-sized hauliers just shy away from it.

Personally, I do not think that enough assistance is given to the haulage industry to make the switch from road to rail. It might be that what is needed is something as simple as a small siding in, for example, the HITRANS area, to tap into the huge timber market, which I have referred to on at least two occasions. I think that you will find the industry very much on board in terms of shifting the right type of freight from road on to rail. Rail is best at handling long-haul freight, and that is where WH Malcolm works quite well, moving a lot of its long-haul stuff by rail and doing the shorter journeys by road from its distribution depot.

Howard Brindley (Highlands and Islands Strategic Transport Partnership): In the Highlands, less freight is moved by rail now than over the past 15 years. The supermarket traffic no longer uses the railway, and Inverness only gets goods such as oil shipments, parcel materials and cement by rail, so there is a great opportunity to develop rail freight. As Alistair Watson says, one of the difficulties is in encouraging the carriers to start considering rail. Another problem in Inverness is that the facility to transfer from rail to road is particularly poor, and we need to improve rail-to-road freight facilities. John G Russell is beginning to look at that, but there is a need to incentivise some of the smaller carriers to consider rail. That is particularly true of supermarkets and similar organisations, which are now putting a lot of their material back on roads.

Paul Martin: Do you think that the rail networks themselves could set out more effectively where the capacity is available? We received evidence that operators are quite keen to access the capacity but that the rail network is unable to provide information about capacity. Could the transport partnerships assist in providing that information?

Howard Brindley: Yes. We have just completed a study of our lines, and national studies looking at utilisation opportunities are under way. The line north of Inverness could take 40 per cent more freight than it has done in the past, and there is an opportunity for four extra freight trains a day between Perth and Inverness that is not being used. Those four trains would not take large numbers of lorries off the roads. Four freight trains a day might take 120 lorries off the road, but there are 1,000 lorries a day going up and down the A9, so it would not make a big difference. Nevertheless, there is some capacity there that could be used.

Dr McLellan: The problem with the railways, as with some roads, is congestion. The same lines are trying to deal with frequent local services, high-speed services—with, in some cases, companies wanting quicker journeys—and freight at the same time. One of the things that we are doing in the transport strategy for the south-east of Scotland is to look at the capacity of the rail network. There are some small changes that could be made to the Forth rail bridge, for example. If Network Rail were to agree to prioritise changing the signalling on the bridge to allow two trains to go in one direction at the same time, that would free up additional capacity almost immediately. Likewise, when the Stirling-Alloa-Kincardine project is completed, that will free up train paths on the bridge, either for more passenger rail or for more freight, resulting in more frequent services. It is a question of identifying that capacity, as Paul

Martin said, and of using it as best we can for all the rail services that we want to provide.

15:30

Councillor Watson: The partnership between the RTPs and the railway industry is critical. My own organisation has now got under way a freight quality partnership—I hope that that is the correct name for it.

We are returning to the issue of capacity and are starting to put back some of the capacity that we lost in the 1960s, 1970s and early 1980s. Freight transport by rail was sometimes uncompetitive, but the real reason why so much freight was lost to the railways is that we took out so much of the railways' capacity. We are now starting to put that back—the unsustainable growth in road traffic is forcing us to do that. From an environmental perspective and a sustainability perspective, much of that traffic should be switched to rail, but we have to address the pressures on the network and the need to build more infrastructure.

If we plan more river crossings anywhere in Scotland, we should consider making them all-singing, all-dancing river crossings that carry road and rail rather than just road. I do not want to return to the argument on the Dornoch firth crossing, but we nearly provided a road and rail crossing before the Scottish Office pulled back from the rail crossing and opted for a road-only crossing. We are moving in the right direction but we have to understand that we will not get the modal switch unless we invest significantly in enhancing the infrastructure.

The Convener: You mentioned your freight quality partnership. I know that the west of Scotland transport partnership was intending to make some progress with that. Will you expand on what you hope to achieve and which bodies will be part of the partnership? Are any other freight quality partnerships forthcoming in Scotland? Why is there only one in Scotland, given that there are about 30 in England? Will you tell us a bit about your plans and give us some feedback on why such partnerships have not progressed more quickly in Scotland?

Councillor Watson: We got our idea from a similar scheme that was up and running in the Nottingham area in England, where there is huge potential for the growth of rail freight. The area that we identified in west and central Scotland was Ayrshire, where coal is the predominant freight good. I suppose that the debate on our future energy needs that is under way brings the matter to the fore. There are huge coal reserves in Ayrshire, and some of the coal is of very high quality, with low sulphur levels. I think that the industry calls it clean coal. If the Government is minded to open up those seams at any time in the

future, the coal will have to be shifted in one way or another, but the road network in south and west-central Scotland will not be able to cope with getting the goods to market, be that Longannet in Fife or elsewhere.

Our potential partners are our constituent authorities, the private hauliers, organisations such as the Coalfields Regeneration Trust and any other regional transport partnerships that are deemed appropriate, such as the one in Dumfries and Galloway and maybe even SESTRAN, with which we have collaborated on a number of projects. I cannot give you a definitive answer on the membership of the freight quality partnership, but it has huge potential and we are very much in the lead with the project.

Dr McLellan: In developing our regional transport strategy, SESTRAN is looking to work closely with the Freight Transport Association, the Road Haulage Association, Network Rail and the rail operating companies, including those that operate freight. We have regular meetings with them. Those meetings are not held as part of a freight quality partnership, but we meet the rail industry regularly at both local authority and regional levels and we share all our ins and outs to try to solve problems.

As I said at the outset, the new RTPs offer the opportunity to put in place more robust arrangements, and the external members could well include people from the freight and road haulage industries. That would strengthen the workings of the formal RTP boards because the movement of freight would be treated not as secondary but as equal to the movement of people.

Howard Brindley: HITRANS has a similar freight quality partnership with the north-east Scotland transport partnership to improve gauging for freight on the line from Inverness to the central belt through Aberdeen. As Bob McLellan has said, such partnerships are beginning to emerge through the RTPs.

Councillor Sclater: As an Orkney Islands councillor, I feel that we have always had close partnerships with NorthLink Orkney and Shetland Ferries and other ferry companies that operate to the islands. After all, we should remember that not everything is centred on the central belt or indeed on mainland Scotland. Such partnerships ensure that, for example, livestock shipments are run the right way. We hope that under the new preferred bidder for the Orkney route, Caledonian MacBrayne, such shipments will be run better and will prove to be cheaper for the farming industry in Orkney and Shetland.

Dr Sylvia Jackson (Stirling) (Lab): You have asked the question that I wanted to ask, convener, but I have another one that follows on quite nicely.

The Strathclyde Partnership for Transport submission highlights

“a lack of consolidated data”,

and the same point has been raised in much of the evidence that we have received. Alistair Watson has said that the partnerships are exploring various ways of moving forward—the freight quality partnership has been mentioned in that respect—but what is the timetable for that work? Moreover, given the references to coal movements, economic development and so on, the regional transport partnerships’ plans might well be broader than was initially envisaged. How will they come together in the national strategy? When can we expect to see the plans and other developments?

Councillor Watson: I am sure that the other witnesses can speak for themselves, but we are well on track to meet our regional transport strategy’s objectives. However, the timetable for the Minister for Transport’s national transport strategy looks as though it is slipping, and we have advised him that he must work harder to make the two initiatives coterminous. We are committed to meeting a very challenging timescale, but the minister and the Parliament must ensure that the national transport strategy meets all its objectives and allows all the regional transport strategies to fit into it.

Does that answer your question?

Dr Jackson: Yes, but I wonder whether Bob McLellan has anything to add.

Dr McLellan: The target date for the regional transport strategies is 1 April 2007, and SESTRAN has put in place arrangements to meet it as best it can. The early work will involve extensive stakeholder consultation with all bodies, including freight organisations, covering all transport modes. For example, in the next couple of months, we will meet the Freight Transport Association, the Road Haulage Association, English Welsh & Scottish Railway, Superfast Ferries and so on to ensure that we are as well informed as we can be about what is best for the south-east of Scotland. We will incorporate all that material into the freight strategy, which will form part of the overall regional transport strategy. That work must be carried out in the next couple of months because, otherwise, we will not meet the deadline.

Alistair Watson touched on the fact that, technically, regional transport strategies are obliged to dovetail downwards into local transport strategies and upwards into the national transport strategy. However, that is proving to be difficult, because many local transport strategies do not exist—they are currently being updated by local authorities—and the national transport strategy itself is slightly behind programme. Nevertheless,

the issues need to be teased out up and down the line.

We are going at a rate of knots to ensure that we meet the deadline, which is a challenging target. We have had informal meetings with the haulage associations, which are keen—certainly in the south-east and, I am sure, in other areas—to have an input into ensuring that freight is well looked after in the regional transport strategies. We have given them an undertaking that that will happen.

Dr Jackson: On the freight strategy, which is what we are interested in today, when will we have something on paper at regional and national levels? Will we have to wait until the national strategy is complete before we see the regional strategies?

Howard Brindley: A national freight strategy is being prepared, although I do not know when it will be published. However, later this summer, draft strategies will emerge into the light of day for the public from the regional partnerships. There will be a lot of stakeholder consultation on the draft strategies, certainly in the Highlands. Public consultation is supposed to start in about November, so later this year we will begin to see what is emerging from the regions. One hopes that by then the national transport strategy will have been announced and that we may also have something on the national freight strategy.

Bruce Crawford: I am glad that Sylvia Jackson asked that question, because I have similar concerns. We have local transport strategies, which are driven by our local councils and which have money attached. We have regional transport strategies, which are driven by the new regional transport partnerships and which have money attached. We also have the national transport strategy, which will be created by the Executive and Transport Scotland, which also has money attached.

Several people have rightly told us about the need for infrastructure projects and we have heard a plethora of suggestions about what they might be. Councillor Watson mentioned the Ayrshire coal problem and we have heard about problems at Rosyth and Cairnryan and with the new docking at Hunterston. We have been told that we must get the matter right from top to bottom, but the problems are in getting the right links between local and national levels and in reaching agreement on what are the high-value projects and priorities and on who will give up resources to allow other projects to proceed. At the end of the day, there will always be competition for resources.

For example—I am not saying that this will happen—would Strathclyde give up resources to

allow the road network in Fife around Rosyth to be improved because it is important for getting freight through the area? How will we decide on priorities and agree about the highest-value projects? Will there be acceptance that resources might need to be given up in one part of Scotland to deliver a strategy that will help the whole economy? The example that I gave might go the other way—maybe Hunterston deserves the money and the east will have to give it up—but we need a process to get there.

Councillor Watson: As chair of SPT, I accept the challenge of the need to identify and prioritise projects. The Executive has kicked off the strategic projects review and we are committed to buying in to that. I was and am a passionate advocate of the completion of the M74. Our argument was that its completion would be hugely beneficial to the west of Scotland economy and nothing has happened since to change my mind. Initially, the Scottish Parliament said that the road was just a local road that was not all that important, but we demonstrated to Parliament that it is a hugely important piece of infrastructure for the economy of not just Glasgow and the west of Scotland, but the whole of Scotland and the UK.

I accept that projects elsewhere, whether in the islands or in the east, north or south-west, will be of major strategic benefit to the Scottish economy. For instance, Rosyth has dreadful links to the rest of Scotland, so my written submission raises the issue of the road and rail links to our only port that serves Europe. People in the west of Scotland do not use Rosyth, because it is too difficult to get there; instead, they drive down to Hull. Such issues must be thrashed out. It is incumbent on all the partnerships to understand that we must buy in to the strategic projects review, because only so much money is available and we cannot all get our pet projects accepted.

I hope that the evidence that we give the committee today will convince members about the improvements that must be made to the transport infrastructure to benefit the Scottish economy. It is important that we buy in to the strategic projects review and that it results in projects that will make a difference in shifting goods and people from A to B, rather than projects that happen to be someone's pet projects.

15:45

Dr McLellan: We are trying to ensure that the regional transport strategies are developed such that we can feed them in to any consideration of projects in the overall national review. A question that we have asked ourselves is whether the regional projects will feature in an overall review of projects. Will the review deal with regional and national projects or only with national projects?

We are discussing such issues at officer level and with civil servants. In order to ensure that two people are not doing the same thing at regional and national levels or regional and local levels or whatever, almost all the regional transport partnerships in Scotland meet regularly to ensure that they know what the others are doing. We set our priorities and ensure that we are all heading in the same direction.

We also currently meet the Executive—it will soon be the Executive and representatives from Transport Scotland—to ensure that we have, at the earliest opportunity, the full picture of what is happening at national level, so that we do not start to do things that the Executive is doing and vice versa. The same must apply within each regional transport area. The partnerships will have close working relationships with their constituent councils to ensure that there is no duplication of effort.

A point was raised about the difficult issue of funding. As we all know, local authorities do not have an abundance of money in their capital budgets, so there is a tendency for them to bid for schemes at regional level that would not otherwise see the light of day. At regional level, we must be rigorous in defining what constitutes a regional project as opposed to a local pet project, but that can be difficult. We have already had to make such decisions and the issue will become more pressing.

The same applies to decisions about whether projects are regional or national. Is the Edinburgh airport rail link a regional or national project? I suggest that it is a national project, but it is perhaps not so easy to determine whether other projects are regional or national, although the main thing is that they are progressed.

The Executive has appointed someone whose challenging remit is prioritisation of projects—I presume at all levels, but in particular at national level. The Executive will take on board the priorities. That remit is extremely challenging as it involves ensuring that projects throughout Scotland across all modes are prioritised on a needs basis, with the most important coming first.

Bruce Crawford: The obvious question that flows from that is this: what is your perception of the Executive's understanding of the need for the national transport strategy and the national freight strategy, which I think are two slightly different things, to come together? What is your feeling on timescales? Someone mentioned that timescales are slipping, but I would like to know more about that.

Councillor Watson: The partnerships collectively raised the issue with the minister a fortnight ago, when he accepted that the timescale

for the national transport strategy is slipping. We gave the minister a commitment that we would meet our timescales, so we should have some meat on the bones of our strategies by August. The minister and his officials must be pressed on the need for them to clarify the timescale. If the timescale for the national strategy slips, then so will the timescale for the regional strategies because they have to dovetail into the national strategy.

Bruce Crawford: That would be a useful point for us to raise when we speak to the minister.

I have a tiny point on bridges. I think Andrew Arbuckle made a point about the nature of the bridges and the state that they are in. Responsibility for many bridges in Scotland was transferred to local authorities when the rail network was privatised, because that was a way of shifting costs to local authorities. What would be the cost of upgrading the bridges, with the costs of upgrading the former Network Rail bridges separated from the rest? That issue has never been properly highlighted in Scotland.

Councillor Watson: The problem goes back pre-privatisation. Network Rail is responsible only for dealing with weight on a bridge up to the axle tonnage limit in 1968.

Dr McLellan: That was 24 tonnes.

Councillor Watson: Anything above 24 tonnes is a local authority's responsibility, so every time a European directive is issued, it is the local authority's responsibility to assess the strength of bridges for weights up to 44 tonnes or more and to assess whether bridge replacement is necessary. Any local authority officer will tell you that that exercise is hugely expensive.

Bruce Crawford: I am aware of that. We need to consider that as part of the national strategy. I think that you are saying that rail companies or organisations must be partly responsible for fixing the bridges problem.

Dr McLellan: An agreement or formula means that Network Rail sometimes contributes funding to infrastructure upgrading. That is based on its obligation to bring structures up to 24-tonne capacity, but not to 44-tonne capacity, as Alistair Watson said. I am not saying that Network Rail has at no time put money into such projects, but the overall picture is that local authorities have borne the significant burden.

As has been said, many weight restrictions apply throughout Scotland. Unless the bridges are strengthened or replaced, the situation will worsen over time. If we do not address the situation, moving goods around the country could become a problem.

Bruce Crawford: I am aware of places in my constituency of Mid Scotland and Fife where people must now travel considerably more miles than in the past for freight and car journeys, which adds to emissions. If we could sort out the bridges, emissions could be reduced. They would not be hugely reduced, but that would make a difference.

The Convener: My question is for the HITRANS representatives. One issue that previous witnesses have raised is speed limits on the main A roads to the Highlands. As most of the roads are single carriageway, a 40mph limit applies to freight transport. Some people have suggested that creating a special category of road might be worth considering. For example, the A9 could be designated to take 50mph traffic. Have you done work on that? The impacts that would need to be assessed for benefit would be not only on the economy and the environment, but on safety. Do you have views on that?

Howard Brindley: We have not undertaken work on that, but I know from our evidence base that probably 90 per cent of vehicles on the A9 travel at 50 to 55mph, so the bulk of heavy goods vehicles on that road break the speed limit. If they all adhered to the speed limit, the road would have significantly more congestion problems. Given the reality, HITRANS would probably support an increase in the speed limit on roads that are fit for that speed.

The Convener: I move on to an issue that relates to SESTRAN's area and to my constituency. In recent times, quite a number of distribution centres have grown up in the Livingston area, but none of the large centres is linked to the rail network. As part of its freight strategy, is SESTRAN looking to develop in partnership with those large organisations a rail freight terminal to serve the units in West Lothian?

Dr McLellan: As part of the freight element of the regional transport strategy, we will aim to identify the best areas for such a terminal. We would need to enter into partnership and find a funding package that would allow that to happen. We would be more than willing to discuss and try to agree arrangements on anything that would allow more traffic to travel via rail rather than road. As I have said, the difficulty is that a short distance will always have to be travelled by road to reach any rail interchange. However, if that can be done, that is fine.

Other issues that we are discussing—as I am sure members are aware—include how we can encourage more freight on to the rail network, which was mentioned, and how we can have more local stops on the railway while improving journey times between bigger conurbations, which is a problem throughout the country. We must try to meet such challenges through negotiations on the

regional transport strategy, which will engage all the appropriate people and, I hope, identify the best solutions. Similarly, I hope that everyone will have a meaningful input through the regional transport partnership boards and their constituent councils, which will lead to successful outcomes.

The Convener: Alistair Watson talked about future river crossings and I am sure that the witnesses are well aware of the controversy about the Forth crossing and the perceived infrastructure problems of the existing bridge. If a new crossing is required, what type of crossing does SESTRAN think there should be? Should there be a multimodal crossing, as Councillor Watson suggested, and if so, has SESTRAN considered the cost of such a crossing? Which is the most appropriate body to take matters forward: the Forth Estuary Transport Authority, SESTRAN, or the Scottish Executive's new transport agency?

Dr McLellan: I suspect that the issue has been more controversial than it needed to be. FETA's local transport strategy identifies a multimodal crossing as the preferred long-term option. In that strategy, differential tolling was deemed to be a matter for the long term—10 years or longer. However, the suggestion was made too early in the strategy, which is why the proposal for £4 tolls at peak times got a rough ride—understandably—and is no longer on the agenda.

On the multimodal approach, consideration was initially given to how public transport could be given more priority on the existing bridge. For example, could a bus lane be used on a structure that has only two lanes without causing serious congestion and tailbacks, which would be infinitely worse than the congestion that is currently experienced? The realistic answer was that it could not and that such an approach would have an adverse impact on the wider economy. Consideration was then given to how extra capacity for public transport, such as buses, light rail or heavy rail could be provided, but during that exercise knowledge about the existing bridge's condition became more public. What started as an exercise to consider how public transport across the Forth might be enhanced became consideration of how to ensure that a crossing is in place before the annual maintenance that is needed on the existing bridge becomes such that the bridge will have reached the end of its economic life.

The FETA local transport strategy refers to a multimodal crossing and SESTRAN has carried out work on the back of the SESTRAN integrated transport corridor studies—SITCoS. Much will depend on links with the proposed tram network in Edinburgh, but SITCoS advocates that a future bridge should be able to carry at least light rail. We should bear in mind that the bridge would have a

design life of 120 years, so it would be remiss to design and build a structure that could not accommodate light rail. Some 10 or 20 years down the line someone would ask, "Why wasn't that done when the bridge was built?" The bottom line is that we must consider a multimodal crossing, as Alistair Watson said. Everyone is competing for limited rail capacity and the work on the crossing that is probably about to be done will have to include consideration of heavy rail and how more capacity can be created. Consideration must be given not just to the bridge but to Waverley and Haymarket, which are key pinch points in the rail network.

The convener asked which body is the most appropriate one to take matters forward, which is a tricky question. When FETA came into being it had a remit to consider not just the maintenance of the bridge but transport in the wider context, such as cross-Forth movements. FETA, Fife Council and the City of Edinburgh Council consider such matters in their local transport strategies, so there is potential for duplication and triplication of work on what is required. The problem is probably compounded by the fact that the bridge and the approaches on both sides are not trunk roads and so are not part of the trunk road network. That leads to all sorts of questions about maintenance of the roads, gritting and so on.

16:00

There are probably only three options: to maintain the status quo; for FETA to be subsumed into the regional bodies and for operations to be managed within the new SESTRAN regional transport partnership; or, if the roads and the bridge were to be trunked, it might be logical for FETA to be subsumed at national level. I would not want to suggest my preferred option or options, but I think that those three are the only available options.

The Convener: I think that I was aware that those were the three options, but I was trying to tempt you into telling us your preferred option. However, I take it that you would advocate some simplification of the arrangements.

Dr McLellan: Yes. There is no doubt that there is duplication at the moment. The governance arrangements for voting within FETA—in terms of what we might call the divide between Edinburgh and Fife—have to be clear. To determine significant national issues on a casting vote is probably not the best way to proceed, either for FETA or for any other organisation. Some simplification, or some change in the governance arrangements so that that cannot happen again would be welcome—irrespective of which of the three options is taken up.

The Convener: Members have no more questions for this panel of witnesses. I thank all four witnesses; this has been a useful debate. I am sure that you will look forward to reading the committee's conclusions in due course.

We move on to our next witness. I welcome Nigel Barton, who is the express services director of operations for TNT. Members should have received a written submission, but I will give Nigel an opportunity to make some introductory remarks on TNT's operations and on his views on freight transport in Scotland.

Nigel Barton (TNT): I thank you very much for the opportunity to come here. As you say, convener, I have submitted a paper. I would like to add a couple of points, but I will first point out an omission. We are one of the operators that compete in the mail market. That is a relatively recent development, but it was an omission on my part not to mention it in the paper. This year in the United Kingdom we will move something in the region of 200 million items of mail into downstream access.

The two points that I would like to add are to do with training. There are training issues that, if addressed, could improve transport in Scotland. I am talking not only about training for HGV drivers but about training for technicians and engineers who are involved in vehicle maintenance. We have found it difficult to get some of the funding that we require. We have been more successful in gaining funding to train our drivers in England and Wales where, in the past two years, we have trained 200 HGV drivers and 25 vehicle technicians. The long and the short of it is that that has been a problem for us in Scotland, because of bureaucracy.

I was interested in the previous discussion about provision for the concept of a real national trunk network, whether in Scotland or the UK as a whole. I have said at a number of recent meetings that we seem to consider road transport to be predominantly motorway based. There has been a tendency over the past few years to de-trunk and to take out of action required primary links. We should get back to the concept of a national trunk network, which would address the points that were made about bridges. Once that network is provided for, there must be control and a level of sacrosanctity around anything that is done with it. We have seen in England that when a once fast-moving road is de-trunked and handed over to local authority control, all sorts of well-meaning speed restrictions and roundabouts creep in.

The Convener: Thank you for those introductory remarks. You talked about the driver shortage and the recruitment and training of drivers. I think that you said that you had more difficulty recruiting drivers in Scotland. Was that in comparison with other parts of the UK or other

parts of Europe? What are the problems in recruiting drivers and what role could the Government play in adding to the supply of drivers, through providing or subsidising training?

Nigel Barton: There is an overall shortage of HGV drivers throughout the UK. The shortage is widespread and not particular to Scotland; it is more particular to the south-east of England, because of levels of employment there. The shortage has come about for a number of reasons. One is the cost of entry to training to gain the required qualifications. Individuals used to be able to obtain a licence at a relatively low cost, but it is now quite expensive. Drivers might face the choice of going left and becoming an HGV driver or going right and taking another job. The penalty for going for the HGV driver job and obtaining the HGV licence could be £1,200.

There has been a shift in responsibility for obtaining an HGV licence away from the driver and on to the employer. That situation will get worse as we proceed, given the European Union provision for changes in driver training. It could be said that the employers have been remiss, because, while qualified drivers were out there—particularly when the armed forces were sending qualified HGV drivers into the marketplace—the employers thought that they might as well just employ them. That has stopped to an extent, because the number of people coming out of the armed forces has declined dramatically over the past few years.

The majority of road transport organisations have aging driver populations. The average age of vehicle maintenance staff in the industry is 48, because of the loss of apprenticeships. We have strongly supported putting back in place modern apprentice-type arrangements, which are particularly difficult to access in Scotland—we are keen to see that change.

The change in the marketplace has meant that some sectors have trained drivers actively, but that has not happened across the board; drivers are moving between organisations. If the onus is on the industry to train its own people—with which I do not disagree—help should be available in the form of Government funding. Theoretically, Government funding exists, but the procedures for getting hold of it are sometimes arcane.

Michael McMahon: As a logistics company, TNT is well placed to look at road problems and hot spots. The M8 and M74 run through my constituency, which has Shawhead on one side and the Raith interchange on the other, both of which have an impact on your depot at Righead. Will you give the committee an idea of where your other problem areas are?

Nigel Barton: It is obvious that road transport into Scotland will always go through England. Currently, access into Scotland is by the M6 and M74 predominantly. To all intents and purposes, Scotland is cut off if there are problems on those roads. Therefore I advocate the development of the A1 as an access route—I have made that case to people in Northumberland and Tyne and Wear. We might talk about using the west coast as a rail route, but we should think about having an east coast road route into Scotland. The A1 is not up to the job in a modern environment; it takes a significant amount of time even to get from Edinburgh to Newcastle. The route should be free flowing.

The famous M8 and M74 problems can be seen every day. An east coast route could alleviate some of those problems because even if something is going to Edinburgh or Stirling, it takes the same route as if it were going to Glasgow and then has to cross the country, which is illogical. We have tried to find different ways of tackling that. As everybody here knows, there is just not sufficient provision in the road structure.

The central belt is the industrial and economic driving force in Scotland and ours is a business to business organisation. Although we provide a next-day national service throughout mainland Scotland, realistically, traffic ends up in the Glasgow and Edinburgh conurbations and, to an extent, Stirling, Perth and upwards to Aberdeen.

One of our areas of significant growth is Inverness. Industry levels in Inverness are growing and yet road links into the city are a problem. I said in my submission that we tried to switch to using a rail link—from memory, we did that three times—because it could make economic sense to make that journey by rail. Our concerns about making that journey are to do with time rather than cost. Time is our currency. We were losing too much time trying to switch to rail and there was also a cost penalty. Depending on how one looks at it, the cost penalty was about 40 per cent or double. Although the mileage cost was about 30 per cent or 40 per cent, we lost a further 35 per cent because rail carriages needed to be loose-loaded, side-loaded traditional rail cars as opposed to being containerised so that we could load them at our facilities and transport them directly on to rail.

Michael McMahon: Will you give the committee an idea of the percentage of delays in your operation that are caused by congestion?

Nigel Barton: It is a significant percentage. Our policy is to get our vehicles on primary trunk routes into our centres as quickly as possible before traffic builds. An example of that is our current decision to split our operation in Glasgow because of problems trying to cross the Kingston

bridge. It is impractical for us to do that. We have now reached the stage where we need to get to the other side of the bridge before 6 am. Then, we start to get our secondary, delivery fleet out on to the roads from that point, as opposed to starting them off at half past 7 or 8 o'clock in the morning from the Bellshill side. If they were on the Bellshill side, they might spend an hour and a half trying to get through the traffic to the other side. That would simply be impractical for the service that we are trying to offer. It would be no good.

16:15

Michael McMahon: I know from my experience in the area that I represent that many companies such as yours are locating in the Bellshill area because of the road network there. However, that adds more congestion. Is there a point at which that will stop?

Nigel Barton: Yes. One of the primary reasons why we are building at our site on the Paisley side is its location in relation to the junction where the M74 extension will come in, which gives us an alternative route. When people go up the M74 and M73 and hit the M8, what is there? Bellshill. People can currently just go left or right from there, as it were, but the change in the road structure through Glasgow will give us a completely different set of dynamics. I think that it will allow substantial development to take place on the other side of Glasgow. Currently, trying to cross the Clyde on the M8 on the way to the other side of Scotland or on the way down south to England is a nightmare at certain times, for want of a better word.

The option of having a new road to bypass the Kingston bridge section of the M8 will encourage the area to develop. The absence of such an alternative has, in my opinion, held that far side of Glasgow back until now. I think that businesses are already relocating there, judging from the amount of building that is going on around the airport, which has increased tremendously over the past two years. I think that much of that is on the basis of the new road connection.

Bruce Crawford: I take you back to the questions that the convener was asking about training. That opened up an important area of discussion and I want to understand the issue a bit better. Forgive my ignorance about this. It costs £1,200 to get an HGV driver right through their test. Is it the case that the individual can no longer contribute to that amount and that it is all down to the employer?

Nigel Barton: No, I am not saying that they cannot contribute. If an individual is given the option and wishes to pursue the career route of being an HGV driver, they might pay anything between £800 and £1,200 to take their test,

including the written and practical tests. Drivers under a certain age have to get their C+ licence before they go on. They need to pass the first level and migrate on from there. In effect, they take the test twice. Traditionally, they could drop straight into a career driving articulated 40-tonne or 44-tonne HGVs at a certain age. That is no longer feasible.

There is now a cost differential that did not apply 10 years ago. An artificial logjam has been placed in the career choice; somebody who might have decided to become a lorry driver then might now think about going off into some other business in which they will not have to pay the entry fee and they will not face the same barrier to entry. The emphasis around young men or young women saying that they want to be an HGV driver has changed. There has been a reduction in the number of people volunteering to take their own licence.

There is an internal scheme in our company whereby we give people who have been with us for two years in the loading bank or the warehouse the opportunity, which we fund, to get taken through to becoming an HGV driver. We look to call down a proportion of the cost—about 35 per cent in England. It has been more difficult to do that in Scotland.

Bruce Crawford: I can see that being a problem with the young folk in particular. What would be wrong with taking on 51-year-old crusties like me?

Nigel Barton: We have no issue with that, but we have the problem of having an aging driver population already. In many organisations, the average HGV driver age can be 45, 50 or older.

Bruce Crawford: Is there an upper limit for drivers?

Nigel Barton: There is no upper limit, but collection and delivery operations in the express parcel carrier industry have traditionally been seen as a young man's game. In the likes of Glasgow city centre, drivers might be in and out of the truck 80 times a day. They might take off the back of the truck individual freight consignments amounting to 1.5 tonnes and reload another 1.5 tonnes. Traditionally, the succession plan or career path in the industry has involved people migrating to articulated trucks as they reach a certain age. However, those opportunities are becoming fewer as the aging workforce has meant that people cannot transfer as easily.

Bruce Crawford: If the current funding system is arcane, rather than go into the details of the current system let us consider how we can improve it. What would TNT do to streamline the system to ensure that the bureaucracy is kicked out of the road and the drivers get trained?

Nigel Barton: Several things could be done. By no means is the English system particularly better. We seem to have mastered the English system only because we managed to push the right buttons somewhat better than we have been able to do in the Scottish system. Much of the problem concerns the way in which the money from the Government is distributed. The language and terminology often seem to change depending on whether we are dealing with skills councils or further education providers. I propose that we submit to the committee a short paper outlining our ideas, but I think that it would take too long to go into those for today's purposes.

Bruce Crawford: That would be useful. I have heard from my constituents about the difficulties that can be encountered in getting into the training arena. Therefore, any suggestions from industry on how we can improve and speed up the process would be welcome. If the blockage is caused by the way in which the industry training boards deal with applications from trainers, HGV organisations or even apprentices, it would be useful to hear solutions to the problems that exist.

Finally, other hauliers have raised an issue with me about the balance of spending between trunk roads and local roads. Do we have the right balance? Should more be done to support local roads as opposed to trunk roads? Although the Executive's expenditure profile for trunk roads seems to have increased, expenditure on local roads has, in relative terms, decreased.

Nigel Barton: It is difficult for me to answer that. I simply reiterate my primary point about the need to accept that the concept behind any transport mode is that it should be as free flowing as possible. Whether the mode is road or rail, it should be fit for purpose. There should also be good and logical links between those modal networks.

The point is that we have seen a deterioration in non-trunk roads. Roads deemed not to be motorway have been removed from the national trunk road network and reclassified. Handing back such roads to local authorities results in less commonality and uniformity in the way in which money is applied to the road. For example, roads such as the A9—I am not making a particular point about that road—go through many different local authority areas. It is not appropriate for such arterial roads to be treated differently from one end to the other. My vision is that national trunk roads should be protected and maintained nationally. They should be supported to the same standard and have the same look and feel throughout.

Local roads, on the other hand, should be deemed to be a local responsibility. If a local authority decides that all its local roads should

have a speed limit of 25mph and have as many speed bumps and roundabouts as possible to make it difficult for trucks to stop, the local authority should be able to make that decision—however, the area's economic development might reflect that decision.

My primary objective is that there should be an acceptance that the national trunk network of roads should include not just motorways but other important non-motorway roads. That recognition is probably even more important in Scotland than in many other parts of the country.

Mr Arbuckle: My question is on north-south road transport and it follows on from Michael McMahon's question. Does your company have a diversion policy for congestion periods on the Forth road bridge? Do you try to avoid those times or do you use the Stirling and Kincardine bridge options?

Nigel Barton: One of the reasons why our depots are where they are—at Stirling, for example—and why we service Edinburgh from the airport site is to avoid some of the congestion spots, such as the bridge. We can shift the map for our depots—they can service different territories. For instance, the logical decision in serving Fife might appear to be to service it out of Edinburgh, but we have avoided doing that because of the issue that you raise. The fact that, although they are only a few miles apart, we do not service Fife out of Edinburgh is a practical demonstration of the point.

The Convener: I have a question on air freight, which is an issue that you touch on in your submission. I note the daily service that your company operates out of Edinburgh airport. Does your cargo go in the holds of scheduled aircraft or do you primarily make use of your own aircraft?

Nigel Barton: We use an element of commercial uplift. The A300 that we mention in our submission is a TNT Airways aircraft. It day-stops in Edinburgh and then flies back to Liège, which is our European air hub. We use commercial uplift, although it has become increasingly difficult to do so since 9/11. The level of restrictions has increased, which has in turn increased timescales, including for X-raying goods. We are a listed agent, which means that we carry out, under Department for Transport guidelines and approval, driver training on the aviation security regulations and so on. We also undertake actions such as X-raying.

Principally, we use commercial uplift for the smaller and more urgent same-day type movements—for example, when we want to get something from Scotland to Northern Ireland or down to London. Outside of that, the amount of commercial uplift that we do out of Scotland is

very small. The A300 drops into Edinburgh through Stansted. At present, we consolidate the material that we are flying to our intercontinental destinations through Heathrow. We do so because of the economies of scale that we gain through consolidation.

The Convener: Do you have any issues to raise on Edinburgh airport such as road access or restrictions on the times when you can fly?

Nigel Barton: No. Currently, we deem Edinburgh to be a freight-friendly airport. It has no restrictions that stop us from operating. BAA was very helpful to us when we wanted to convert what was previously part of the Royal Air Force site at Turnhouse. Working together, we created a good logistics facility there, improving on what was previously a rather dilapidated area. That said, any improvement that can be made on the Turnhouse Road junction that is opposite to what was the Royal Angus would be much appreciated, as it is a bit of a nightmare. In general, the answer is no. There are wider issues to do with the road network than road access to Edinburgh airport.

We operate successfully in and out of Edinburgh. Fortunately or unfortunately, we service Glasgow out of Edinburgh, which brings me back to the previous discussion because of the potential restrictions on trade in that regard. At present, there is insufficient volume for us to operate economically out of the west as well as the east coast. That said, Glasgow airport's main direction is not towards our sort of freight operation; it is on the passenger side. That is fine; we can work with that. As long as one of the two airports is freight friendly, we do not have an issue with that.

16:30

The Convener: You answered what was going to be my next question, so I will not need to ask that.

You talked about the use of commercial carriers for air freight and I acknowledge what you said about problems arising from the number of security checks and so on that are now necessary. Do you think that such considerations will continue to place a significant constraint on the development of that type of traffic, or are there ways in which companies such as yours can work with the airports and carriers to streamline the process while maintaining the necessary security?

Nigel Barton: Realistically, those restrictions are only going to increase. I cannot imagine them declining, in the current climate. The approach that was accepted when I entered this industry 20 years ago—whereby people would chuck a couple of bags of goods into the belly of a passenger aircraft that happened to be going in the right direction—is long gone.

The Convener: In your submission, you say that the biggest constraint on using rail instead of road is cost. You say that, when you last carried out an exercise, the cost of moving goods by rail from hubs in central England to Motherwell and Aberdeen was roughly double the cost of moving them by road. I understand that you intend to revisit that issue, now that the west coast line has been improved. Do you believe that the cost will be found to have changed significantly since the previous exercise?

Nigel Barton: The previous exercise was carried out in the period after the Hatfield crash, which significantly affected the reliability of the railroads. Further, the exercise was constrained by the type of vehicle that could operate on the section of the railway that we were using, which was the traditional type of parcel cars. That meant that we lost in terms of time, mileage rate and the amount of freight that could be carried by the parcel car.

Ideally, we would be able to put a load on to something that looks like a road-going articulated vehicle in our premises and transfer it directly on to a rail car that could go through the gauge. If we do not do that, we will have to load it in our hub, unload it at the railhead, load it on to rail cars that carry much less than the vehicle that transports the load can and repeat that process at the other end. That would add too much time and decrease the capacity by too much for it to be economical. It turned out to take significantly longer using the route that EWS uses, which comes through Walsall, than it would be if an articulated vehicle travelling at 56mph were used, even though we rated the route using the stock of 110mph locomotives that were going to be used on the track. The change that would need to happen before that option could be used is as much to do with the vehicle type as anything else. It is important that the vehicles that we use are able to operate through the gauge and so on. That would save time that would otherwise be spent unloading and loading and would solve the problem of the low carrying capacity of the traditional rail cars.

The Convener: I think that that brings us to the end of our questions. I thank you for your time and for giving us your evidence.

Our final witness is William Wishart, who is the director of marketing and distribution for the Scottish Coal Company Ltd. Members should have a copy of his submission.

We expected to be joined by Simon Armstrong from the Confederation of Forest Industries, but he is unfortunately unable to attend for personal reasons. He has expressed his regret that he will not be able to answer members' questions in person and has offered to answer any questions that we wish to submit in writing. I suggest that we

write to him to ask some of the suggested questions that our adviser, Alan McKinnon, has provided us with. If members have any additional questions, I ask them to let me or the clerks know as soon as possible.

I welcome Mr Wishart to the meeting and ask him to make some introductory remarks, after which members will ask questions.

William Wishart (The Scottish Coal Company Ltd): Scottish Coal is the largest mining company in Scotland. We control about 100 HGV bulk tippers a day and about 100 trains a week. I thank the committee for giving me the opportunity to speak and will be happy to answer any questions.

Dr Jackson: I want to ask about the reopening of the Alloa line, which will provide a direct rail link between Ayrshire and Longannet. What impact will that have on transit times and delivery costs?

William Wishart: Until this year, the Alloa line had no bearing on Scottish Coal's business. Following the announcement that flue gas desulphurisation will be installed at Longannet, our coal complies with the requirements for use at that power station.

Overall, Scotland handles about 19.5 million tonnes of coal, of which 5 million tonnes are transported by road and 1 million tonnes are transhipped. The rest is all carried by rail. The Scottish coal industry provides what is deemed to be low-sulphur coal. Unfortunately, it cannot be used at Longannet or Cockerzie because of environmental restrictions, but it is suitable for use in power stations in England, where it is a sought-after product. Of late, most of our coal has been going to England, but we hope that that situation will be reversed in 2007 or 2008, when a percentage of our coal will start to go to Longannet power station.

Bruce Crawford: What you have told us begs many questions that are outwith the scope of our inquiry. I am tempted to start a discussion about why Longannet and Cockerzie power stations cannot take Scottish Coal's product when English power stations can, but I recognise that—

William Wishart: I can explain that.

Bruce Crawford: That would be useful.

William Wishart: The reason is to do with environmental constraints on NOCs and SOCs—non-volatile organic compounds and semi-volatile organic compounds. The timescale for the large combustion plant directive, the cut-off point for which was during this year, meant that Scottish Power was not in a position to put in FGD and, as a result, had to reduce its sulphur bubble. The only way that it could keep on the bars was by importing low-sulphur coal, primarily from Russia and South Africa. The transport of such coal has an impact on congestion and traffic.

Scotland produces between 5 million and 6 million tonnes of coal. When that coal could be used at Longannet and Cockerzie, which consume between 5 million and 6 million tonnes of coal, the logistics of transportation were simple. It was a relatively short-haul trip by rail to the local power stations, which were in the coalfield. The present transport and logistics arrangement causes pollution. The coal from South Africa comes from Richards Bay. It takes two days for it to be transported to Richards Bay and 28 days for a ship to bring it from the Indian ocean all the way to Hunterston. For coal from Russia, it is the opposite—it takes 15 days on a train and five days' sailing for the coal to get to Longannet or Cockerzie. Ships burn high-sulphur heavy fuel oil, so the combined environmental impact is significant. If Longannet and Cockerzie were gifted some concessions on CO₂, there might be an overall environmental benefit and, in tandem with that, some of the congestion on the rail and road networks would be released.

Bruce Crawford: That is a useful point. Again, this question is not strictly related to the inquiry, but does the Scottish Environment Protection Agency interpret the European directives differently from agencies south of the border, or is it simply that Scottish Power has not invested? I know that it has said that it will invest in Longannet, but was the situation purely a matter of the power companies having a different attitude?

William Wishart: I am not here to speak for Scottish Power, but from the outside it might seem that SEPA was penalising Scottish Power. The gates have opened because we have moved from the new electricity trading arrangements to the British electricity trading and transmission arrangements. Under the new electricity trading rules and regulations, the network has been nationalised. Scotland used to have its own electricity protocol but it is now in BETTA, so the regulations in England and Scotland should be exactly the same. Because of that, there has been a coming together of the Environment Agency and SEPA.

Bruce Crawford: If you can demonstrate that your company can take freight off the road—that is, Polish and Australian coal and, previously, South African and Russian coal—would that not allow you to apply for freight facilities grants to enable you to be more competitive in your exports from Scotland to England?

William Wishart: Whatever happens, we need to move the coal from the mine to a railhead. Of the 5 million tonnes that I mentioned, about 4 million is moved from mines to railheads. The railheads are strategically placed—they are either on the Glasgow south-western route, the west coast main line or the east coast main line. We

need a strategic base to load the coal into the wagons. At present, the bulk of the flow is on the Glasgow south-western route. About 85 per cent of the coal from Scotland goes on that route.

Bruce Crawford: So you are saying that there is no room for a big modal shift from road to rail because much of the freight is already on rail.

William Wishart: Yes. We have considered locating railheads at the mines. At Chalmerston in the Doon valley at Dalmellington we load coal straight from the mine into rail-cars and it goes straight to market.

Bruce Crawford: That is useful. Thank you.

The Convener: When there is investment in Longannet in the next few years and it is able to take Scottish Coal's product, will that solve the problem of your being unable to sell directly to Scottish Power or will there still be cost issues, because Scottish Power will still be able to access cheaper coal from other parts of the world?

William Wishart: The market will dictate where the coal comes from. That is fairly obvious. I would not say that Scottish Power will have a problem with our coal, but our coal is typically 0.8 to 1 per cent sulphur and Scottish Power will continue to look for low-sulphur coal because of the type of plant that it has—it is putting in seawater scrubbers. Cockerzie has opted out of the large combustion plant directive so, come 2008, it will have limited hours. It will run down to 20,000 hours and close. Cockerzie will burn only Russian coal, which is about 0.3 per cent sulphur. Therefore, our coal will still have to travel south. Also, Hunterston is a deep-water terminal and if there are imports through it because of congestion at other ports, most of that coal will move south as well. There will still be a heavy rail flow south.

The Convener: You say that you already use rail extensively to move coal around the country, and we know that coal is one of the reasons why rail freight has increased in recent years. What significant investments—if any—do you advocate in improving the flexibility and reliability of the rail network so that it is better able to supply power stations?

16:45

William Wishart: There are quite a lot of questions to answer there. Competition is sadly lacking in the rail freight industry. There is one dominant player, which is EWS, and the next is Freightliner. The bulk of the flow is through EWS. I would not say that it is a monopoly, but that needs to be addressed.

The movement of coal is restricted because of rail slots. Something like 25 or 30 per cent of our slots are cancelled just now, which has a big

impact on our business. The current reasons are lack of drivers, of locomotives and of rolling stock, so EWS has a resource problem. Some of the previous witnesses talked about a shortage of skilled labour; EWS continually says that it is short of skilled people, so it needs to manage out that skill shortage.

In tandem with that, there is a congestion problem. One of the gentlemen who gave evidence mentioned that the Glasgow south-western route was running 24 hours, which it is now. We have accommodated that, but the Settle to Carlisle line, which goes down to Leeds and into which the Glasgow south-western route runs, was closed for a month lately because of major repairs. That affected the traffic from Scotland to England. The line was repaired but, last week, the Glasgow south-western route was shut because of repairs. The west coast main line has also been shut for repairs, and passenger traffic will come up the Glasgow south-western route for the next couple of weeks, which will interfere with our business as well. All in all, we have had about two months of turmoil with rail.

The Convener: That level of cancellation is of considerable concern. I was not aware that you were experiencing that level of disruption.

Mr Arbuckle: One proposal in your submission is for new transport hubs, one at Elvanfoot and another at Bridge of Earn. To my knowledge, those are both outwith coal-sourcing areas—Bridge of Earn would be 10 or 15 miles away from the nearest opencast site—so does it make sense?

William Wishart: It is not necessarily for coal. Elvanfoot is not far from the South Lanarkshire coalfields, and the attraction of that site is that it is close to the M74 and the west coast main line—the railway line goes underneath the M74 there. Our idea is that it could initially be developed for coal and left for bulk freight containers. I go up and down the M74 quite a bit, and it is quite frustrating to see a freight train go by with only two or three containers on it. If there was a container terminal outside the central belt of Scotland, it would probably have better prospects because it would not have to deal with the traffic congestion in the central belt—in Mossend—and it would be in an ideal place for trucks to stay over and unload.

One attraction of Bridge of Earn is that it is on the doorstep of the timber industry. We have been actively diversifying into biomass and alternative energy. For the past two years, we have lobbied the Office of Gas and Electricity Markets and the Department of Trade and Industry to allow us to introduce timber products to the coal for co-firing coal and biomass. It has been a lengthy process, but now the renewable obligations have been modified to allow off-site blending of coal and

biomass. Bridge of Earn is an ideal spot to pick up timber and move it through the central belt. There is a bit of a barrier in the central belt corridor because of the road and rail congestion, so we could load all the timber on to trains and run it straight through the central belt.

The Convener: In your submission, you draw attention to the length of trains in America compared with in the UK. It is obvious that there are big differences between the two countries, such as the USA's size and this country's higher concentration of passenger traffic, that mean that it would not be possible to go to the American train length, as far as I am aware. What discussions have you had with the rail companies on building up the train lengths and what increase in length would be realistic and feasible in Britain?

William Wishart: I have done a bit of travelling and have seen that in South Africa the trains are 3km long. In Russia, they move coal from one side of the country to another in trains that are 1.5km to 2km long. In the States, the trains are of similar lengths, albeit that the infrastructure is totally different, but everything is long haul, so it makes sense to have trains of that length.

Our rail industry went from HAA wagons, which carried about 30 tonnes—45 tonnes gross—to HDA wagons that carry 75 tonnes, which is about 100 tonnes gross. The staple diet for HDA wagons was 19-wagon sets, but we are now up to 22-wagon sets without any investment or added spend at the railheads. With the Glasgow south-western route running on the night shift now, it is possible to buck two 22-wagon sets together. On the one allocated path, it would be possible to trunk the 44 wagons down the Settle to Carlisle line to Gascoigne Wood, for example, and split the train up so that only one slot is used. The type 66 loco can pull that many wagons, so that proposal should be considered more positively than it is just now, as it is a way of taking congestion off the network. Night shift is probably the right time to do it because fewer passenger trains are about. It would release some capacity in the system.

The Convener: There are no further questions, so I thank you for your evidence.

The committee will now move into private to consider the last two agenda items.

16:52

Meeting continued in private until 17:36.

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