TRANSPORT AND THE ENVIRONMENT COMMITTEE

Wednesday 24 April 2002
(*Morning*)

Session 1

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TRANSPORT AND THE ENVIRONMENT COMMITTEE
13th Meeting 2002, Session 1

CONVENER

*Bristow Muldoon (Livingston) (Lab)

DEPUTY CONVENER

Nora Radcliffe (Gordon) (LD)

COMMITTEE MEMBERS

*Robin Harper (Lothians) (Green)
*Mr Adam Ingram (South of Scotland) (SNP)
*Angus MacKay (Edinburgh South) (Lab)
*Fiona McLeod (West of Scotland) (SNP)
*Maureen Macmillan (Highlands and Islands) (Lab)
*Des McNulty (Clydebank and Milngavie) (Lab)
*John Scott (Ayr) (Con)

*attended

WITNESSES

Bob Armstrong (Confederation of British Industry Scotland)
Stuart Black (Highlands and Islands Enterprise)
Jim Cameron (Loganair)
Liz Cameron (Scottish Chambers of Commerce)
Iain Duff (Scottish Council for Development and Industry)
Matthew Farrow (Confederation of British Industry Scotland)
Professor Stephen Glaister (Imperial College London)
Colin Howden (TRANSform Scotland)
Professor Ron McQuaid (Napier University)
Tom Matthew (Highlands and Islands Enterprise)
David Spaven (TRANSform Scotland)

CLERK TO THE COMMITTEE

Callum Thomson

SENIOR ASSISTANT CLERK

Tracey Hawe

ASSISTANT CLERK

Alastair Macfie

LOCATION

Committee Room 1

Scottish Parliament

Transport and the Environment Committee

Wednesday 24 April 2002

(*Morning*)

[THE CONVENER *opened the meeting in private at 09:35*]

09:53

Meeting continued in public.

Items in Private

The Convener (Bristow Muldoon): I welcome the press and the public to the meeting. I also welcome Iain Duff of the Scottish Council for Development and Industry and Professor Ron McQuaid, who is from Napier University. They will give evidence in our scrutiny of the 2003-04 budget. I have received apologies from Nora Radcliffe, who cannot attend the meeting, and from Robin Harper, who will be late.

Agenda item 4 is the committee's work programme, which we usually consider in private. Do members agree to take that item in private?

Members *indicated agreement*.

The Convener: At next week's meeting, we plan to consider lines of questioning for the Deputy Minister for Enterprise, Transport and Lifelong Learning as part of the budget process and on petition PE357, which is on transport infrastructure in Aberdeen. Do members agree to prepare those lines of questioning in private?

Members *indicated agreement*.

Budget Process 2003-04

The Convener: The main agenda item is the budget process. It is open to both our witnesses to give an introduction. I understand that Iain Duff has an introduction and that Ron McQuaid does not.

Iain Duff (Scottish Council for Development and Industry): My introduction is brief. I thank the committee for inviting the SCDI to provide evidence on the budget. I will provide some context. When surveyed, the SCDI's broad membership consistently ranks transport and infrastructure issues in its top three priorities. That means that a significant portion of the SCDI's policy work focuses on transport-related issues. Our members' views imply that Scotland's transport system is not all that it could be and that that impedes our members' economic performance.

The network has missing links, pinch points and inadequacies throughout. It is vital that the available funding is properly targeted to provide the appropriate infrastructure, which is crucial to Scotland's economic development and competitiveness.

Angus MacKay (Edinburgh South) (Lab): What is your overview of transport's role in the Scottish economy? What key contributions does transport make to economic competitiveness and growth? What role does transport play in influencing business location and business success?

Iain Duff: As I said, our members feel that an efficient and effective transport system is crucial to their success. For our exporters, moving goods to market—particularly European markets, but also further afield and to our main market, which is England—is a main issue. That involves roads and railways.

Other issues include finding workers and having adequate links to feed in the necessary skills and to attract labour. Inward investment has been important for Scotland; showing that we have an efficient transport network helps us to attract inward investors, who can attract labour and move their goods out if they supply more than the Scottish market.

Those issues are some of the main areas that our members talk about when they are asked why we must have an efficient, effective and safe transport system across all modes.

If transport links are improved, businesses can relocate. Part of a nation's competitiveness is its confidence that no matter what the state of its two-way roads or other links is, its business environment—whether that means its skill levels,

transport levels or training provision—fits into the economic environment that it provides for business. We can supply our goods and ensure that our transport system allows the economy to be one in which good business can be done and allows Scotland to be a nice place in which to live.

Professor Ron McQuaid (Napier University): I concur with Iain Duff. Transport is a necessary, but not a sufficient, condition for economic development. For instance, London did quite well before the M25 was constructed—it has also done quite well since then. London managed to do well without having a particularly great road transport infrastructure.

We must consider the different ways in which transport affects different types of investment. Studies involving predominantly manufacturing plants have been done in Lanarkshire. Inward investors from overseas tended to rank airports very high. However, inward investors from other parts of the UK ranked them very low, because they drove up to Scotland and were more concerned about road links with the rest of the UK. Different types of firm will be affected by different types of transport infrastructure and policies.

10:00

In general, Scotland needs good transport links, but consideration must be given to the economic relationships that we are trying to support. For example, if someone wants to get to Holland or Belgium, what is really important to them may be the A66. Although that road is not even in Scotland, it is crucial for a haulier or even for a tour operator who is taking a bus load of people to Hull. We need to consider which types of link are particularly important to Scotland and to different types of firms.

In a previous incarnation, I did some work on the M4 corridor in England, which includes the high-tech centres past Reading. The existence of the M4 was seen as the main reason for the establishment of electronics industries around Reading and in Hertfordshire. However, in the study that we carried out we found that the M4 was only one of several advantages that that area had. Another advantage was Heathrow airport, which provided fundamental links with foreign countries. The M4 corridor was also one of the first areas to get Intercity 125 trains, which provided a fantastic train service. However, those transport links were subsidiary to the other reasons for the development of high-tech centres in the area. That development would not have taken place just because of good transport links. Other factors, such as massive defence expenditure and big markets were required.

We must be careful not to get too caught up with transport. It must be put into a wider context. Having said that, I believe that good links to the places that we need to reach are a precondition for development. We must determine to which places we need to have good links.

Angus MacKay: That is a very useful description of the importance of transport to the Scottish economy. You make a persuasive prima facie case for having an integrated transport strategy and the capacity to influence transport thinking and development beyond the boundaries of Scotland.

Given what you have said in introduction to the subject, what do you think should be the priorities of transport policy in Scotland? In an ideal world of unconstrained budgets and policy making, what priorities should the Executive pursue, especially to support the development of business and the economy in Scotland? How do you think transport policy should be developed to promote access to emergent job opportunities and to stimulate and support the labour market?

Iain Duff: The key factor is resources, but the member has given us free rein to develop a vision. The SCDI has no desire to see one mode of transport outperforming another or being given more support than another. This is all about choice and enabling the economy to function properly. As we see with road traffic, overemphasising one mode causes problems. We would like there to be a focus on all modes.

However, we have highlighted the importance of particular road projects. The M8 and A8 between Glasgow and Edinburgh—a key route between our two major cities—are inadequate and money should be made available to turn them into an efficient link. The A80, which runs from the central belt to the northern parts of Scotland, is a crucial road link that our members—

Angus MacKay: Do your proposals come with specific price tags?

Iain Duff: They do. The Confederation of British Industry has costed the proposals. The SCDI is happy to accept the figures that the Executive has produced. In any event, the projects, schemes and road areas that we have highlighted are those that have been identified to us as involving problems. In an ideal scenario, we would secure the resources to improve those links.

There are issues to do with a number of roads. If we are to have a Rosyth ferry quite soon, it is crucial that we consider the infrastructure around the Rosyth area, including the A8000, which leads to the Forth road bridge. The completion of the M74, which is now progressing, has been a big, long-term issue.

Those are the four main road systems that have

been identified through the SCDI.

As far as railways are concerned, we need to get more out of the connectivity with our major markets in England, on the east and west-coast main lines. As for more local lines, the Alloa-Kincardine line has been identified as important for freight and perhaps for passenger transport.

It is important to take a corridor approach to the railway links between Edinburgh and Glasgow. We would not like to focus on just one mode. There is also a case for cascading usage into bus routes and local rail lines to alleviate congestion. We have made submissions in the past, which I can give to the committee. We have a series of priorities that we would like to be implemented across all modes.

Another factor is the interconnection between modes, whether that involves park-and-ride schemes or train-bus links. We need a properly integrated system and we need to provide information points at interchanges, so that travellers know what is available to them and so that they can make the link between modes easily. We would like investment in those areas.

The Convener: Before inviting Ron McQuaid to add to that, I welcome Professor Stephen Glaister to the meeting.

Professor Stephen Glaister (Imperial College London): I am sorry that I am late.

The Convener: We quite understand the difficulties that you had this morning—I believe that your flight was fogbound. We have been asking the other witnesses questions, but we will address some questions to you shortly.

Professor McQuaid: I do not have a wish list of projects, although I would like to highlight some key issues. Even if we complete all the projects on a wish list, we will never be able fully to build our way out of congestion, especially if we do not price roads properly and we do not take such externalities as pollution and the congestion itself into account. We have to take a much more integrated approach.

There are certain key national links, such as Auchenkilns roundabout and the M74. We need a completed national system of roads, so that all firms can have good communications throughout Scotland, at least during off-peak periods.

The integration of the M74 would make Glasgow airport more accessible. Indeed, it would make Edinburgh airport more accessible. That point links with the need to consider the demand for air traffic in Scotland. People often complain about having to go to England or Amsterdam for connecting flights. Would there be big enough economies of scale to justify having a core airport in Scotland? Interestingly enough, the M74 might become linked to a centralised airport, be that near Edinburgh or Glasgow—although there would be strong political argument about that.

Similarly, rail access to airports needs to be considered. We do not know whether the demand for air travel in Scotland is sufficient to warrant better services to the rest of Europe and to North America? What railway and road links would be needed to facilitate that? We do not know what the demand is in the first place, nor how it is manifested.

It is important that we complete the trunk system. We have to consider the roads individually and evaluate them carefully. For example, we could consider the impact of the A1. If I were a company serving Scotland and the north of England, I would welcome work on the A1 because I could locate in Newcastle and serve the whole of Scotland and the whole of the north of England.

However, there are always two sides to an argument. For example, consider the Appalachian highway effect. A highway was built into Appalachia to help its economy. Consequently, firms were able to bring goods into Appalachia much more cheaply, but that meant that people did not have to bake bread in Appalachia because it could be brought in on the highway. It also meant that people moved out of Appalachia because they could work in other cities and then go home for the weekend. For any investment, we have to consider all the ramifications. We have to consider our aims, be they in airline policy, road policy or whatever.

The transport research institute at Napier University is doing a study for Scotecon—the Scottish economic policy network. We are canvassing the opinions of many of the key players and decision makers in the transport industry as well as the opinions of academics. We want to identify the questions to which we really do not know the answers. For example, demand is an area that needs research. The report of our study will be ready in about a month, but so far we have found a consensus that a lot of work is required on transport, but no consensus on what needs to be done. Should we raise the price of transport to reflect the real economic costs of travel, which would lead to roads being used much more rationally and efficiently, or should we reduce the costs of travel by building more infrastructure and making journeys easier? There are conflicting views on that and no clear consensus.

In a Department of Trade and Industry study, which is more than 10 years old now, it was found that only 5.7 per cent of industry operating costs were in transport. That figure is relatively low—it is higher in some industries than it is in others. Although I would not say that those costs have an

effect only at the margins, I would not say that they have a major effect on the growth of the economy of Scotland.

When we talk about access of opportunities, we could be talking about access for people who are unemployed or on a low income, or we could be talking about opportunities for development.

Angus MacKay: What about job opportunities?

Professor McQuaid: In a study of the long-term unemployed in Edinburgh, 85 per cent did not have access to cars. The figures are similar, although not quite so high, in West Lothian and even in Wick in Caithness. It is a major problem. People who are going for low-skill, low-pay jobs are much less willing to travel. That is quite rational. If you are going to be paid £10 for a part-time shift, you do not want to pay £5 for travel. Certain groups of the population are much less willing and much less able to travel than others—for example, people with children and, linked to that, women in general. We have also found psychological reasons to explain the fact that the longer people are unemployed, the less willing they are to travel. We therefore have to consider the location of jobs and the ease with which people can get from areas of high unemployment to areas of opportunity.

That leads me on to mention the issue of building on the edge of town. Have members tried to get to the new Edinburgh royal infirmary from Wester Hailes? I know that there are policy initiatives on such matters, but these are very important issues to consider. Policies for land use must help people to get real access to employment.

The Convener: It is a separate issue, but I could make the parochial point that what you are saying simply underlines the importance of St John's hospital to health strategies in Lothian.

I hear both witnesses talking about the importance of all the different modes of transport, but could we focus on whether the approach of the Scottish Executive—in its resource allocations and in the priorities that are set out in the report on transport delivery—is correct? Should the modal split be different? We will talk later about the overall size of transport expenditure but, within current expenditure limits, is the approach that is being taken correct?

10:15

Iain Duff: It is difficult to give a definitive answer. There are not enough data on the effects that expenditure on any one mode has on economic growth to say what the effects of moving £X from one area to another would be. The Standing Advisory Committee on Trunk Road Assessment report—the SACTRA report—from 1999 showed that it is difficult to get a handle on that.

When I read the report on transport delivery, it did not jump out at me that a complete reallocation of money here, there and everywhere was necessary. That would be robbing Peter to pay Paul. It is difficult to say whether a bigger budget in one area should be transferred to another. I could not say with my hand on my heart that that would have a huge benefit to other areas. It is difficult to say with confidence that the allocation of money to any area is wrong and that other areas should be pushed forward.

One area that needs substantial investment is maintenance of local roads, as there is a backlog of maintenance work. Increasingly, we hear of problems on local road networks, which are financed by local authorities. The state of the local road network is a serious problem and needs to be improved.

It would be wrong to confine my remarks on priorities to the central belt. It would be good to establish the Borders rail network, particularly a link to Galashiels, to help the situation in Edinburgh. Having accessible links to the Highlands is also a priority, as is establishing links within the Highlands and Islands and connecting them to the central belt. It is important to focus on, for example, internal air links.

However, it is difficult to argue that the allocations in the Executive's report are wrong and that there should be massive change and reallocation of funds.

Des McNulty (Clydebank and Milngavie) (Lab): I find it hard to understand what you just said as a discussion of priorities. You basically gave a series of business-based arguments about major roads, such as the M74. You then talked about local roads. You talked about the Borders rail network and the links to and in the Highlands. Your colleague has talked about a rationalisation of the airport system in Scotland and linking that into any new investment in the Edinburgh-Glasgow corridor. Not all of those are affordable in any conceivable financial framework.

Iain Duff: Exactly. That is the problem.

Des McNulty: The fundamental issue is how, in a given framework, we allocate the funds. We cannot sustain all the priorities that you have mentioned. I chuck them back at you and ask you what your priorities really are. Please tell me which of the long list that you have given us you will throw out so that we can have a realistic discussion of your priorities. I would like a discussion of what matters you think are not important and the criteria that you use for deeming them not important. That is the only basis on which we can discuss priorities.

Iain Duff: I can furnish the committee with a full list of our priorities. On roads, they are: the completion of the M74 between Fullerton Road and the Kingston bridge; the upgrading of the A8000 between the Forth road bridge and the M8/M9 spur; the upgrading of the A8 between Baillieston and Newhouse; and the upgrading of the A80 between Stepps and Haggs. Those are the four major road schemes that we suggested to the then Minister for Transport and the Environment in 2000.

The rail improvement projects that are a high priority for us should be seen in the context of the present situation on the railways. Many of our members just want the trains to be efficient and to run on time. We are trying to achieve a balance between vision and reality. In our response to the consultation on passenger rail, we mentioned the Glasgow crossrail project, which would link Greenock, Paisley, Glasgow Central, Glasgow Queen Street and Edinburgh; an Edinburgh crossrail project, linking Bathgate and Dunblane to Edinburgh Waverley, Brunstane and Kinnaird Park; the Waverley line from Edinburgh to Galashiels; the Stirling-Alloa-Kincardine-Dunfermline line, which is particularly for freight; and the Aberdeen crossrail scheme.

Des McNulty: If I may interrupt you, you have already gone way beyond anything—

Iain Duff: Those are our priorities. The big issue is about timing, or when the money might be available. All the projects are constrained by finance. We have not costed the projects, but our members say that those are the issues for them.

Des McNulty: You must ask your members to make choices, and there must be criteria associated with those choices. It is easy for anyone to tell the committee, "We have a wonderful, big, long, shopping list. There will be something for everyone on it. That's fine." That is what happens in transport budget debates. We want a more realistic debate in which we ask, "Why do you want to prioritise those road projects? Should road projects have priority over rail projects? What is the basis of your argument? Can we understand your rationale? Can we measure your rationale against that of other people?" There is no point in giving us a long shopping list that has everything on it.

John Scott (Ayr) (Con): Steady, Des. You asked the gentlemen for their vision and they have given it.

The Convener: We do not want a debate between members. We are supposed to be asking our witnesses questions.

Iain Duff: I agree with Des McNulty. It is true that it is easy for us to come up with priorities based on our members' views. The SACTRA report pointed out that insufficient data are available. Perhaps more money should be spent on getting to grips with the analytical techniques that are necessary to compare the different types of project. That approach would make systematic comparisons between major road and rail schemes, and it might even assist with the issues that have arisen over the introduction of road pricing. As the SACTRA report showed, no proper analytical techniques are available to take account of investment and the different transport projects. As a result, we cannot get at the effect of those projects on economic development.

From the SCDI's point of view, all we can go on is what our members tell us when they are asked what the problems are. As an economist, a significant problem for me is trying to inform my members about which projects would get the best bang for our buck, in order to get feedback from them. There is a gap. If the committee wants to make a recommendation, perhaps it should recommend that, following the SACTRA report, more thought should be given to how spending decisions are analysed, to see which ones give the best return. We do not want to waste limited resources.

The Convener: Adam Ingram has been trying to get in for a while—I think that he wants to raise a related point. I will allow Des McNulty back in after Adam has asked his question.

Mr Adam Ingram (South of Scotland) (SNP): Thank you.

The panel seems to have reached a consensus that something needs to be done about transport, but there is less of a consensus on what needs to be done. The evidence has been set out in the context of improving transport infrastructure to promote economic efficiency. However, as we all know, a number of externalities relate to transport, such as congestion and CO_2 emissions. Is not there a trade-off between traditional economic efficiency—if I may put it that way—and sustainability? In that context, where is the balance between need and spending in relation to transport policy? I have yet to hear anyone build a case that suggests that more Executive funds should be transferred to transport infrastructure. Can you make such a case?

Iain Duff: When we survey our membership, our business members and other members—we represent more than the business community—identify transport as a major issue, alongside issues such as education and training.

Mr Ingram: Can you quantify the importance of transport to your membership?

Iain Duff: No, we cannot. That is the issue for us. We do not have the analytical techniques that would enable us to say what the quantifiable effect

on the economic growth of Scotland would be if the M74 were built. Members tell me that getting their goods from their factory or base down through the central Glasgow pinch point is an issue. Even some of our Highlands and Islands members talk about a pinch point there. However, I do not have the techniques available to enable me to say that such a development would suddenly increase Scottish growth by such a percentage. The evidence is not there. We can only go on what our members tell us are the problems.

Similarly, do we have a handle on what effect opening the Waverley line would have on the Borders economy? We know that the economy of Edinburgh is overheating and that we need to introduce more skills there. The Waverley line might help to alleviate the transport problems involved in coming from the south and might provide Edinburgh employers with more skills, but it might just relocate people to the Borders, because of Edinburgh property prices. Wealth might be generated only around the line and might dissipate into the Borders very quickly. We do not know what might happen. The techniques for getting a proper handle on such issues are not available. We can only go on what our members think would be beneficial. I admit readily that that is an inadequacy.

Professor McQuaid: I concur with much of that. There are problems with appraisal, but we need to consider the whole set of costs and benefits, such as CO_2. More work needs to be done on how we measure the benefits and on how they relate. The M74 might link strategically to airport policy, for example. We must tackle the issue in a much more coherent way.

A problem with evaluations is that they are quite often carried out in advance. There were many studies of the economic impact of the Edinburgh bypass, but does anyone ever examine such developments afterwards? We probably need a few more ex post evaluations that ask whether projects such as the Stepps bypass have made a difference. There is a lack of analysis of what happened, which could better inform what we think will happen. It is easy to come up with a high figure for savings at Ardrossan and it is important that that is made open and discussed. There might be a totally different view of what happened in retrospect. We need more retrospective studies to improve our forecasting of costs, benefits and so on.

I do not represent anyone, although we did the Scotecon study and many other studies in places such as Lanarkshire and the central belt. In a number of ways, it seems that there would be a clear advantage in making the main trunk routes a priority. Uncertainty is a big issue in relation to delays. If I was sitting at a bus stop and the bus was a minute late, I would be quite happy if there was a sign that said that the bus would come in three minutes. If I was sitting there and the bus was a minute late and I had no idea whether the bus would be five minutes late or whether it would come at all, I would not be able to tell whether I would be late for work. Uncertainty is an important factor.

One of the big advantages of the Newbridge underpass is that it decreased uncertainty. Now when one travels to Edinburgh airport, one knows that the journey will take only 25 minutes. Even though, historically, it probably took only 26 minutes, the fact is that now the journey is 25 minutes long, plus or minus two minutes, whereas before it was 26 minutes, plus up to half an hour more. Certainty is the main emphasis on some of the key routes. Auchenkilns will fit into that by reducing the uncertainty for people travelling from Aberdeen to England. It might make little time difference, but it reduces the uncertainty in journey times. We need more sophisticated appraisal techniques when we compare particular projects.

Most congestion measures are either infrastructure investment or management. We are now much more concerned about the management of roads through road pricing and so on. An awful lot of the congestion in small towns is dealt with by local authorities.

10:30

I was a little surprised by the lack of emphasis in the figures on support for local road networks. We are talking about small amounts compared with those needed for the big trunk roads. At the end of the day, congestion in small towns and even in cities will be dealt with by local authorities. Slightly more thought should be given to the way in which we support local road networks if we are to meet national congestion objectives.

Scotland's huge advantage is that we can consider projects such as the Aberdeen bypass. To be honest, I do not know whether the project is essential, but because of the strength of the Parliament, the voice that calls for such projects can be heard much more loudly. If we used appraisal techniques that focused solely on head counts—in other words, the number of people using the road—we would never build a road past Perth, because there are not enough people up there. The advantage of the Parliament is that the appraisal techniques must take into account equity issues.

My last point is that there is a big problem for disadvantaged people in getting to work. If someone gets a job and does not have a car, how do they get to work? After about three or six

weeks, they might find someone at work with whom they can car share, but in the crucial early stage, many people cannot keep a job, because they cannot get to work, particularly given the huge move towards flexible shifts and so on. I have a vested interest in a certain project, so I will not say too much, but demand-responsive transport to help people from disadvantaged communities in rural and less rural areas should be given higher priority.

The Convener: I want to move on to address questions to Professor Glaister, but I think that Des McNulty has a final question. I hope that it is short, or at least one that will not elicit a lengthy answer.

Des McNulty: The criteria for judging projects, particularly roads projects, are tricky. What counts as congestion and how we deal with congestion raise an intractable set of issues. It is not clear whether we should address congestion by speeding up road flows or measure it by counting the number of cars in a particular area. I am not sure that road building is the answer. Opening up roads might be more appropriate.

From a business point of view, do you think that the introduction of a more generalised system of road pricing, through tolling, would lead to a better framework for assessing the merits and disadvantages of different projects? In other words, is one of our problems that we have publicly subsidised roads that are free to the user? Would a more realistic system, in which the user is charged, lead to better economic appraisal and analysis of one project compared with another, bearing in mind the points that Professor McQuaid has rightly made about the fact that such a system might channel road resources towards the haves and away from the have nots?

The Convener: That question was perhaps not as concise as I would have wished. I hope that Iain Duff's answer will be more concise.

Iain Duff: The SCDI supports congestion charging in congested towns and city. It would be a way of putting a price mechanism on demand.

Des McNulty: Not on trunk roads?

Iain Duff: Not at this time, as that might take traffic off the trunk roads and divert it through communities that the roads were designed to bypass. That is one of the areas that we would like to see some work on. At this point, we want to concentrate on the big congestion problems in our towns and cities. The pricing mechanism may have a use there, in that it that would indicate where the demand is and manage that demand. None of the infrastructure improvements that have been talked about today can stand alone; there must also be a technique to manage and limit congestion problems.

We accept the issues, but we would like proper analysis, up front, of the effects on a city's competitiveness. There is no point in making a city more competitive by reducing congestion just to make it less prosperous because people feel that congestion charging is a barrier to entering the area or locating there. Again, the issue comes down to proper analysis, but we have no problem with local congestion charging.

The Convener: I would like to move on to our questions for Professor Glaister, but I invite him first to make some introductory remarks, if he would like to do so.

Professor Glaister: I shall make no opening remarks other than to introduce myself. I am professor of transport and infrastructure at Imperial College London. In my time, I have been an adviser to the rail regulator and I am now a member of the Transport for London board.

The Convener: Thank you for the paper that you submitted to the committee in advance of today's meeting. One of the questions that Adam Ingram asked earlier might also be addressed to Professor Glaister, but I ask John Scott to start the questioning.

John Scott: I welcome Professor Glaister to Scotland and congratulate him on his paper, which we all found impressive. He starts by referring to:

"the recent, rather unsuccessful English experience".

Will he expand on what is meant by that and give evidence to support that comment?

Professor Glaister: Members will have to forgive my ignorance of the Scottish detail; I know the English experience much better.

I was referring to the history that started with the new Labour Government in 1997. I felt that, when the Labour Government came to power, it had some good ideas and introduced some important new legislation, specifically the powers to introduce congestion charging—which was a fundamental change in the way in which we considered such matters—and the later creation of the Strategic Rail Authority. However, the Government has so far proved to be rather weak in delivering what it wanted to achieve, which is why I used the word "unsuccessful".

Members will remember that, in the early days, there was a clear determination to reduce traffic. That was really the Government's headline policy, and it was going to do it by improving public transport. In the early days, there was an identifiable integrated policy on fuel prices and the environment because the Labour Government took over the previous Government's fuel tax escalator policy and presented it as a way to give the right signal to road users to deal with environmental pollution. However, as we know,

that fell apart after the fuel price protests in the autumn of 2000.

When one looks at the underlying facts, one sees, I believe, that the new Government did not put in place anything like enough to deliver on the policy of trying to reduce traffic. It was never going to be possible to do that with public transport alone. In the end, the Government failed to do that with the fuel price policy, although it did succeed temporarily.

The Government developed the 10-year plan, and many of us were happy to see it. It is strong on the role of railways but, since the production of the plan, railway policy has become confused—the administration of Railtrack is an example. Even if that policy had not become confused, the funding of the 10-year plan meant that its proposals were confused and were unlikely to deliver. That is why I used the word "unsuccessful". The Government set out clear objectives but has done little to deliver them.

John Scott: You talked about the 10-year plan and the difference in funding for strategic roads and for railways. What are the wider economic implications of that? What will be the implications for areas such as rural areas and inter-urban corridors?

Professor Glaister: We must distinguish between heavily used inter-urban corridors and rural areas. In England—and in Scotland, I imagine—the important thing for most people, for most of the time, is the car. The car has become much more commonly used than it was 20 years ago. Many people do not have a rail service nearby, although they might have a bus service. The exceptions are rail services such as the London to Manchester route and the London commute, which are fundamentally different from services in other urban areas.

Most people care most about the quality of their experience of using their cars, assuming that they have access to one, but the Government's strategy, in the early years of the Administration, was to cut back on the roads programme. That strategy ran contrary to strong evidence of the benefits of increasing road capacity. Economic appraisals told us that there were big benefits for time saving and safety in building strategic roads and particular local roads. There is no similar justification for big investment in the railways. The Government withdrew road schemes and proposed substantial new investment in railways. In addition, not all the railway investments were for places in which railways are likely to do a good job—places such as the inter-urban corridors, the London commute and perhaps a couple of other big commutes.

Although the evidence is not precise, it points one in directions where one can demonstrate benefits from road and, indeed, rail investments. However, research results generally push one in a different direction from the one that the Government took.

John Scott: Would you care to express a general view on the effects of the transport vision in Scotland?

Professor Glaister: I have only a generic awareness of the effects. In England, the problem that we face in the road-versus-rail debate is that railways, tramways and light rail work well and efficiently and provide good value for money where population densities are high—they are fundamentally expensive to invest in and to maintain and so must be used intensively to get a good return—but in low-density areas, the aim of public policy must be to make life better for car users or to improve commercial bus services.

I imagine that in Scotland that contrast is much starker, because there is the Strathclyde area and four big cities, but there is much more very low-density countryside than there is in England. The contrast between what some would like to achieve with railways and light rapid transit and what others would like to achieve with better roads and lower fuel prices is probably much more marked here.

It must be obvious to us all that the issues that are faced in Scotland, such as keeping good access to very remote areas, are hard to subject to economic analysis. The decisions are fundamentally political ones, based on the wish to maintain connections to those areas.

Towards the end of my submission, I list different approaches to appraisal. One that is often suggested is equality of access, which means that wherever people are, they must have equal access to something, perhaps to population centres. That would tell us something about remote areas, but it would provide very peculiar results because of the enormous costs of achieving it. Furthermore, it is not a criterion to which one could stick rigorously.

John Scott: Is it a sensible criterion to use?

The Convener: Before I allow John Scott to continue, I will let Maureen Macmillan ask a question, as she has been bursting to get in. I advise Professor Glaister to prepare himself, as she is the MSP for one of the very rural areas in Scotland.

10:45

Maureen Macmillan (Highlands and Islands) (Lab): Actually, my question is not about rural issues at all, but about freight. Professor Glaister has said a lot about passenger transport, but he

has said nothing about freight. Would his comments about freight transport be exactly the same, or is there a different balance between road and rail in relation to freight?

Professor Glaister: I have not addressed the issue in my paper, but I would say much the same about the principles of freight transport. It is not really my area—a witness discussed it at a previous meeting—but the same simple point applies. If you want a freight policy to achieve benefits, you need to examine the facts, in particular the length of freight journeys. It is no good pretending that you can make a big difference to the quantity of freight on the road if the journeys cover only short distances, as many freight journeys do. Such journeys will always be made by road.

There are some long-distance flows, and in England there has been some success in transferring some of those flows on to the railways. However, when we consider the billions of tonne kilometres that are carried overall in England, we see that the aspiration to shift a lot of freight from road to rail has not been successful. I do not know about the Scottish situation, but long-distance freight is a very small proportion of the total freight market in any case.

John Scott: Your evidence points out that, as car ownership tends to increase in line with incomes, it would be necessary to raise the fuel tax by more than 10 per cent a year to hold traffic levels steady. You also point out that an increase in fuel duty is especially problematic in the large number of uncongested places, which is why specific charges in congested locations are attractive. However, you claim that, with current technology, it is unclear that congestion charging is worth while in any but the largest cities. What are the implications of that view on policy in a Scottish context, particularly given the proposals to introduce congestion charging to cities such as Edinburgh and Glasgow?

Professor Glaister: It is fairly clear that we are faced with a horrible dilemma. I see no reason why the recent historical trend for increasing car ownership should not continue, given the current Government policy that cars should become cheaper to buy and the proposals to reduce the number of tariff barriers, for example. Cars are getting technologically superior; they last longer and are better quality. Furthermore, their emissions performance and efficiency are improving dramatically. All those factors are making cars more desirable and easier to obtain.

The evidence from around the world suggests that, at constant prices, there is roughly a one-to-one correspondence between standards of living and car ownership. That means that, unless there is a dramatic policy change on the cost of owning and using a car, there will be a relentless growth in traffic, except in some very local situations where a viable alternative can be provided. That is where the urban-dense situation, to which I referred, comes into play. In that situation, public transport can make a big difference.

Leaving urban areas to one side, we seem to be faced with a three-way dilemma to which I do not have a simple solution. The alternatives are that we put up fuel prices dramatically to stop traffic growth—which is not terribly attractive politically—we invite or allow more traffic growth and provide more capacity to deal with it or we get more congestion. In the short term, those are the three corners between which we must work. In urban areas—certainly in Strathclyde and possibly in Edinburgh—congestion charging has a great deal to offer. As other witnesses have said, it is the obvious option in economic terms. A valuable resource is being offered for free and it is unsurprising that it is overused, which creates an undesirable situation.

I mentioned that I am on the Transport for London board. Next February, we will introduce congestion charging in central London. Given the difficulties of that, members will understand my hesitancy to be too gung-ho about congestion charging. From memory, I believe that in the five years or so after congestion charging is introduced in London, the revenue will be around £900 million. However, the costs of implementing and enforcing the scheme will be about half that amount. The case for congestion charging in London is as strong as possible, but, given the present technology, which includes the computer systems and cameras—satellites are not feasible—there is a risk that the nitty-gritty of enforcing congestion charging will consume a great deal of its benefits.

In a place such as Edinburgh, or a smaller city, even though congestion charging is desirable in principle, it may not be worth it in practice because of the costs. That will change as technology becomes simpler and cheaper to implement, but in my view it is not worth it at present. I know that other engineers are more confident about the technology than I am.

Angus MacKay: I am interested in that final point. Is congestion charging in use anywhere else in the world? If so, do the costs of policing the scheme consume most of the revenue benefits? Aside from the revenue that is accrued, what other benefits are available? I presume that surplus revenue can be used to reinvest in the transport infrastructure, but also that the regulatory nature of the scheme has the benefit of reducing congestion.

Professor Glaister: There are two different but important motivations for congestion charging. The

first is that it raises revenue. In London—and I am sure that the situation in big Scottish cities is similar—because of the way in which the local government finance regime works, congestion charging revenue is desperately important for the mayor in implementing his infrastructure policies. It is his only flexible source of income, apart from that which comes direct from HM Treasury.

The other motivation for congestion charging is that it provides a better way of using a limited amount of road space. If the telephone system were free, we would have the same problem. Everyone would try to make phone calls, but no one would be able to make them easily because it would be impossible to get through. That is the situation in a congested road network. Congestion charging makes a limited space available to those who place the greatest value in its use. That produces what economists call a free lunch because it is a better way of using the space.

The leading example of congestion charging is in Singapore, where, many years ago, a paper-based area licence scheme was introduced. That was regarded as very successful. It reduced congestion in the centre of Singapore and it was a cheap, simple system, because it was paper based. The scheme was enforced successfully not least because of the social attitudes to enforcement that exist in Singapore, which are different from those in places such as London. The Singapore example is important. I know that recently an electronic system was introduced there, but I have no information about its costs. I cannot answer your question about relative enforcement costs.

Des McNulty: If we are to develop some of these agendas, we must work out where the resources will come from to fund them. I would like to hear your thoughts about different kinds of charging-based approaches.

One of the problems with moving to congestion charging is that the road system—particularly entry and exit points—has been designed on the basis of free access. There is an initial cost associated with re-engineering the road system. Secondly, there is the issue of what charges would be used for, particularly if they were collected by local authorities, as you suggest. Thirdly, there is the political issue of which constituency charges are collected from, who benefits from them and who is seen not to benefit from the process.

Are you saying that, notwithstanding those problems—which would have to be resolved as part of any mechanism for congestion charging—congestion charging is the way forward in places such as Edinburgh and Glasgow?

Professor Glaister: For the reasons that I gave earlier—because of the fundamental dilemma that I described—it is hard to see any other way forward. Sooner or later, we will have to introduce a congestion charging system. However, I agree that the issues that you have identified must be resolved.

One of the early experiments in congestion charging took place in Hong Kong about 25 years ago and involved electronic road pricing. Technically, the scheme was a success, but it was abandoned for political reasons. The local population, which was paying the charge, did not trust the politicians to spend the money on what they said that they would spend it—on transport infrastructure.

I would like to tie the issue of how money will be used and how authorities are to be trusted with it to the issue of infrastructure funding more generally. As I say in my paper, in this country we have a dreadful problem with Whitehall fixing all the rules by which the capital available for investment in infrastructure is determined. I am taken with the American model of municipal infrastructure investment, which is used right the way across America, but specifically in New York. New York has a declared capital plan that specifies what the municipality will do over the next few years. The plan indicates that the programme will be funded through the issue of debt in a particular way and that the debt will be repaid from particular sources of income. In the case of the Metropolitan Transportation Authority, one source of income is fares income—hence the reference to revenue bonds. However, the other sources of income are dedicated taxes. In New York, those include some sales tax and a tax on local telephone charges.

It does not matter what the taxes are—the important point is that there is clarity about where the income is coming from. One source of income could be revenue from congestion charging. If an authority were to produce a package in which it indicated that it would introduce congestion charging and that the resulting money would be tied in a specific way to financing—in a transparent way and over a period of years—the debt incurred from improving public transport and the road infrastructure, it could hope to sell the idea to the general public. The public would be able to see where the money from congestion charging was going and that the politicians were committed in law to honour the commercial debt.

11:00

Des McNulty: The problem with that is that, in Scotland, we abandoned a sensible pattern of local government about six or seven years ago and fragmented authorities. That makes the process more difficult.

I seek clarity on the issue of railways. It strikes me that you are saying that there is justification for investment in railways in areas with high population density. Examples of that might be the Edinburgh to Glasgow routes and the Strathclyde suburban network.

Extrapolating from what you have said, we should be looking to intensify the use of existing investments rather than to expand the rail network. That would be more economically advantageous. Am I misrepresenting you or is that what you are saying? Instead of thinking about extending the rail system and new projects, we should be thinking about making better use of the existing system and extending it only in those areas with the population density to justify it.

Professor Glaister: The short answer to that is yes.

Des McNulty: The Borders rail route would not work by those criteria.

Professor Glaister: I do not know the detail of that and cannot comment. However, railways tend to consume a lot of money to achieve a particular result. Unless density is very high, one is likely to foreclose better uses of the money.

You asked what the priorities were within your fixed budget. We would have to agree what we were trying to achieve and the criteria for that. If we tried to do that, we would find several different criteria and they would conflict with one another. One criterion would be about equity and social exclusion; another would be equal access; another would be economic efficiency, time savings and good value for money.

My short answer was about the third of those criteria. If you are talking about value for money, measurable time saving and safety, you have to be careful about the benefits of big new railway schemes, given what you can achieve with roads. If you are considering the other criteria, the answer might be different.

Des McNulty: You have already answered a couple of the other questions that I was going to ask. I want to pursue the view that the significance of buses is underrated. I take it that you are almost arguing that reducing bus fares is the most equitable way of increasing access.

Professor Glaister: I and others have done research on the metropolitan counties in England. That research demonstrates across the board that, where bus fares are relatively high, substantial net benefits can be gained by reducing fares. By analogy, I suspect that that might also be true in Strathclyde, although I do not know the detail.

However, if you are going to spend money on reducing bus fares, you need to consider the alternative of using that money to improve bus services. Given that you are trying to compete with the car and to reduce congestion, the critical issue is the quality of service rather than the fares. There is good evidence for that. If you can use some of the money to improve and reduce the variability of bus running times, you are likely to generate more benefit with that public money than if you reduce the fares. That depends upon the circumstances, of course; it is a generalisation.

Des McNulty: Would the same argument apply to rail? Scotland has expensive rail fares and the main route between Edinburgh and Glasgow is significantly slower than it was 30 years ago. If we improved journey times, or found ways of reducing fares, would that be an effective mechanism for reaching the objectives that you have set out?

Professor Glaister: That is where we come back to the point that the other witnesses made. You would have to do the sums to answer that question. Running more train services means providing a lot more rail capacity. We have that problem in places such as Birmingham and London. Another problem is that the cost of greatly expanding capacity is very high and the benefits may be overwhelmed by the cost. I cannot answer the question without examining the sums, but it is not difficult in principle to do the calculations.

Professor McQuaid: A lot of the issue is to do with choice. If you ask people in the Borders, "Would you rather have a half-hourly bus service throughout the day, with greenways taking you right up to Waverley station, or spend a lot more money and get a railway?" the people might chose a much better bus service, which might cost a lot less. We have to examine more carefully what the problem is. If the problem is getting people from one place to another, what is the most effective solution? In some cases, if the rail service is low density, it must be questioned. The same goal might be achieved in a much more cost-effective way—or perhaps even a better service could be provided.

Des McNulty: I am picking up from Professor Glaister and Professor McQuaid—and perhaps from Iain Duff as well—that the criteria against which we assess projects are deficient. We do not have enough information and we are not always clear about the criteria against which we are making judgments. Simply identifying a project-based system to examine allocations is inadequate; we need to look at existing and projected patterns of use alongside project assessment to come up with better and more realistic answers. Obviously, a political choice has to be made at the end of the day, but we need that choice to be better informed by technical and economic assessments.

Professor Glaister: I agree with that in the round, but one can overplay the lack-of-data

problem. We do not use the information that we have as productively as we could. The area is developing rapidly. We know a lot more now than we knew 10 years ago about the economic costs of noise, pollution and even CO_2. Some good work has been done by colleagues at the University of Leeds recently. Information may be available only in general orders of magnitude, but often that is all that one needs. The point is that often the analysis is never done. The tools that we have are not used. We will never obtain a precise answer, but we could get a clearer steer by performing an analysis.

Robin Harper (Lothians) (Green): I was interested to hear that there is evidence that keeping bus fares up and programming that money into improving bus services—such as by providing more services—will provide more benefits in terms of increased passenger use than will reducing fares. Is there substantial evidence to back up that assertion or is it just that one or two studies suggest that that might be the case?

Professor Glaister: Off the cuff, I could use three arguments to support that assertion. The first is a simple calculation that economist colleagues would recognise based on our views of the value of bus users' time and of price elasticities—bus users' response to price—and the relationship between those factors. Given the way in which those factors mesh together, it is likely to be more beneficial to improve services than to reduce fares—that is a back-of-the-envelope calculation.

Secondly, I have done more than just back-of-the-envelope modelling of the English metropolitan counties and have examined the issue in more detail. The modelling comes to the same conclusion, not least because—to my surprise—if one puts on more bus services, one often generates much more bus travel and so bus revenue. That means that the costs are not high—it is quite cheap in terms of public support.

Evidence for my third point is not yet available, but the Commission for Integrated Transport has been examining the issue in a lot of detail in the context of a bus study that it has been doing. The study is not published yet, but broadly speaking I think that it will confirm the same position. The important point is that, if buses are to work, we must have good-quality services.

The Convener: The outcome of the analysis of various options in terms of choices of allocation of resources and transport seems to depend on the criteria that are set in the first place, such as what priority we give to environmental benefit, social inclusion and economic benefit. What comments do you have on the rationality of Government criteria? Are there clearly defined criteria that you would recognise?

Professor Glaister: Your proposition is correct: if there is to be a recognisably rational policy, it must follow from the criteria. As I said, the Labour Government was clear about what it wanted to achieve: it spoke about reducing pollution and congestion and reducing social exclusion. However, the policies that it followed did not deliver on those criteria.

I feel strongly about equity and social exclusion. A lot of people believe that, by putting money into railways, we are automatically helping the poor. In certain situations, that might be the case, but it is not true that poor people in general—I emphasise those words—use railways. The extremely deprived and socially excluded people—the unemployed, the sick and the elderly—almost by definition will not benefit from good rail services. However, they might benefit from good bus services and hospital transport, for example. You must consider what you want to achieve and then examine the facts relating to how those criteria might be achieved. Sometimes, Governments fall down at that point.

John Scott: I assume that you were talking about the American model when you mentioned the bond mechanism. Would it be possible for Scotland to start using that sort of model? Despite what Des McNulty has said, the Scottish experience is not hugely different from England's.

Professor Glaister: I see no reason why, if Treasury ministers wanted to go down that route, it could not be done. Over the past few years, I have worked on the proposition in relation to the London underground system because I think that, in that specific case, it is the obvious solution. However, the idea generalises quite easily. The issue is about devolution of power and whether the Treasury will have control over who raises what capital or whether some competent local authority will be able to borrow on its own account.

The Americans got it right by basing their model on the British 19th century local authority model. We invented the system—what the Americans call public benefit corporations, we called trusts. The Port of New York Authority, which is important in American history, was modelled on the Port of London Authority of 1906, which is still a public trust. It is probably true that almost all the legislation that was enacted in the 19th century is either still in existence or could easily be reinstated if we had a mind to do so. As I say, however, the problem lies with the necessity for someone to have the political will to release the Treasury purse-strings.

Angus MacKay: I hesitate to go too far into this area, as I believe that the issue is not as clear cut as Professor Glaister suggests. Using the American model would have other consequences that we would have to consider. If we took part of

that model, would we want to take the rest of it, which involves some public services being run not in a straightforward manner from public taxation but from subscription? Another problem is that, to some extent, we are talking about a model that disproportionately benefits the larger metropolitan authorities rather than the rural authorities in terms of the capacity of the populations of those areas to sustain the revenue expenditure required to support the investment over time. That could cause problems between city authorities and rural authorities, for example. What I am trying to say is that the picture is more complicated than would be apparent from the brief run-through that we have had today, notwithstanding the benefits that might result from the system.

11:15

Professor Glaister: That is correct. However, I have not said, and I am sure that no one would say, that all the locally raised capital should be financed from the local tax base. That is not what is required. The local tax base may or may not be used, but what is necessary is that, from the beginning, everyone is clear about where the money is to come from—it may be from local taxes or it may be from defined national taxes.

If we are to raise private investment money, we have to be clear about who is going to pay for it and how it is to be paid for. As an aside, let me add that that is the problem at the moment with the railways policy, which is not at all clear. There is nothing in the model that says that a small authority without a big tax base would of necessity be disadvantaged. If it was suggested that, under an alternative model, Edinburgh or London should provide the basic financial resources to deliver services in that area, I would say that that was fine.

The next question is how those services are to be procured. How are the capital and the investment to be raised to deliver them? As long as London or Edinburgh is willing to commit whatever it is that they have to commit over a period of time, the model allows us to raise the capital to do the job. However, if there were to be a terrible one-year or three-year period of uncertainty about what was to happen, it could be impossible to raise capital.

Angus MacKay: I accept those points, but there is a limited number of alternative sources from which the revenue to service debt can be gained. One of the most obvious alternative sources is business rates. A number of organisations would be concerned about who would control and determine business rates. Also, it is clear that the large metropolitan authorities have a much more substantial business-rates base upon which they could lean. Even if those large metropolitan authorities were to talk about hypothecated investment, and if they were to talk in particular about hypothecated investment in transport—which would be of benefit to their local economies—that would have implications in particular for non-urban Scotland, where the business-rate take is much smaller. In addition, we know that there is a net redistribution on the basis of the current take in the metropolitan areas. I want to stress that the picture is not as unalloyed as might be concluded from a quick run-through.

Professor Glaister: I accept that. I am not sure how the business rate works in Scotland, but there is a uniform rate throughout England. One model that I like very much—I am talking about a London model, but it might have other applications—is to have a defined levy, say of 5 per cent, on top of the uniform business rate, which is hypothecated to local purposes. That idea has been toyed with in terms of local government finance. It is critical that the businesses that would pay the levy would have a franchise in voting for whether the levy should be raised in the first place. Local politicians would have to say, "We want to raise this levy and we will use it, for example, to finance our bonds. Will you vote for it?"

That model is similar to the idea of the business improvement district, which has been successful in American cities and which is gaining some currency in the UK. In such districts, businesses get together and say, "We want to improve the local environment and we will vote for us all having to contribute toward funding a local improvement scheme." That model has worked successfully. It gets around what we call the "free rider" problem. Free riders are businesses that want the benefits, but will not pay the costs.

Angus MacKay: I have another point to make, but I will leave it. We could continue all day on this subject.

Professor Glaister: Absolutely.

The Convener: I see that the subject is getting Angus MacKay excited.

I thank Professor Ron McQuaid, Iain Duff and Professor Stephen Glaister for their participation. Your evidence has given us food for thought in our inquiry.

We now progress to the next group of witnesses, who are David Spaven and Colin Howden from TRANSform Scotland. I welcome them and thank them for their written submission. I understand that David Spaven will make a brief introductory statement.

David Spaven (TRANSform Scotland): I am the chair and Colin Howden is the campaign manager of TRANSform Scotland. Let me introduce our organisation briefly. We are

Scotland's national sustainable transport campaign, which represents 64 member organisations ranging from bus and rail operators to local authorities, national environmental campaigns and chambers of commerce. We are therefore a broad church. Only two days ago, we ran an international conference on the link between transport and economic development. I am interested that today's meeting has focused on that issue, to which we can perhaps return later.

We welcome the opportunity to comment on the transport delivery report and on the Executive's budget proposals for transport. I will make only two brief comments. Our major criticism is that the current proposals fail to address some fundamental issues. First, they fail to address the scale of the issues that face us as part of the global environmental crisis. Secondly, there is a lack of emphasis on practical solutions to local transport problems. We will come back to that later, but let me throw in just one statistic, which is a UK statistic that has not been updated for a few years and is probably worthy of more research. Something like 50 per cent of all car trips are for distances of less than five miles; about 25 per cent are for distances of less than two miles. We often lose sight of the fact that most transport is still local.

I also want to mention the top ten priority projects. Although the Executive announced those projects at the same time as it published the transport delivery report, the transport delivery report does not refer explicitly to the projects as the Executive's top ten priorities. We were dismayed that none of the priorities referred to walking, cycling or making local streets safer. It seems incredible in this day and age that those should be forgotten.

Colin Howden will briefly go through some of our key conclusions and recommendations. We will then be happy to try to answer any questions.

Colin Howden (TRANSform Scotland): My comments will build on the six bullet points that are given on the first page of our written submission.

First, it is our view that the policy shift towards sustainable transport objectives—which in the UK started with the Conservative Government in the mid-1990s—has not led to a noticeable shift in Scotland's expenditure priorities toward sustainable transport implementation. We accept that expenditure on sustainable transport—by which I mean public transport, walking and cycling—has increased, but it has done so from a low, if not negligible, level. Scottish transport spending commitments are swiftly moving back toward, if they have not already reached, a state of affairs that is fundamentally destructive to the environment.

Secondly, Scottish Executive priorities talk a lot about sustainable development—which seems to be the guiding principle around which most of the Executive's policies are hung—yet existing Scottish Executive transport expenditure commitments seem to be biased toward the unsustainable modes of transport. For example, we calculate that the road-building programme that the Scottish Executive has put in place since November 1999 will cost more than £500 million. That programme was put in place without proper analysis; the "Scottish Transport Appraisal Guidance" was published only after the roads had been given the go-ahead. Before giving the go-ahead, the Executive did not conduct a multimodal study, which would have examined alternatives to road building, such as public transport or demand management.

Spending on new road building has not been matched by spending on new sustainable transport provision. The Scottish Executive admits that its public transport fund expenditure is in the region of £175 million, which contrasts markedly with its £500 million for road building. Our opinion is that the Scottish Executive's ability to meet its environmental commitments to reduction of carbon dioxide emissions to fit in with the UK climate change strategy, and to reduction of toxic air pollution emissions to fit in with the UK air quality strategy is, at best, doubtful.

Thirdly, we are critical of the transport delivery report, which we think is not objective led. It compares poorly with the advice that the Scottish Executive promotes through its sustainable transport appraisal guidelines, which we think have a lot of merit. In general, the transport delivery plan lacks progress indicators and targets against which delivery can be measured. However, it contains one useful progress indicator on traffic levels, which sets a target of stabilising traffic levels at 2001 levels by 2021. It is good that the Executive is addressing traffic stabilisation, but that is a very long time scale and I do not see how stabilising traffic levels over 20 years fits in with climate change commitments to reduce carbon dioxide emissions by 20 per cent by 2010. That is a problem.

Fourthly, the promises that are made in the transport delivery report, on future transport expenditure being devoted to sustainable transport and primarily—as David Spaven noted—public transport, cannot be taken in good faith given the current focus of committed transport expenditure. If members compare the 1999 manifesto commitments of Scottish new Labour and the Scottish Liberal Democrats with the commitments to transport infrastructure that have been made since then, they will note a great disparity. There were certainly no commitments to a large road-building programme in the 1999 manifestos, but

there were commitments to large investment in public transport.

Fifthly, there seems to be a great focus on long-distance travel rather than on local transport, as David Spaven also noted. The Executive's expenditure commitments fail to take adequate account of the most sustainable modes of transport, such as walking and cycling. Indeed, the transport delivery report makes no future commitments in that area and notes that total spending in the area since 1998 has been £20 million. That is less than the cost of half a mile of the M74 northern extension. In view of the negligible environmental impact that those modes of transport have and their positive promotion of public health, that is a serious omission from the transport delivery report. Given that the Scottish Executive and the Health Education Board for Scotland are running a travel awareness campaign to promote walking, we find it astonishing that there is no measure in the transport delivery report to promote walking.

Sixthly—a more general point—we think that scrutiny of all transport expenditure proposals should adopt a questioning attitude towards the claimed economic activity and/or congestion-reducing impacts of proposed transport infrastructure. Going back to the debate that the committee had earlier, we need to consider fiscal and pricing reform to correct market failure in transport. Too much stress on transport networks might be caused by the wrong price signals being given to users of transport rather than the fact that capacity in those transport networks is inadequate.

The Convener: Thank you for your remarks. We will move to questions.

John Scott: You claim that the Executive's transport expenditure is biased toward road transport. Given the dominance of road transport in the market for most journeys, are not our current funding arrangements more equitable than arrangements that would see greater sums being invested in the sustainable modes of which you speak?

David Spaven: It is a question of what our objectives are, where we want to get to and whether we will achieve those objectives by spending more and more on road transport. Wider Government objectives, including international obligations, suggest that we must find a way of dealing with the problem. The current split is not the most relevant issue.

However, about 35 per cent of households in Scotland do not have a car. Whether such people can benefit from rail services might be debated, but they certainly cannot benefit much from road construction schemes, which are designed primarily to benefit people who have cars. In cities such as Glasgow and Dundee, a minority of households has access to a car. It is ironic that Glasgow has the largest urban motorway plan in the UK. That is a mismatch. The points that several members and the previous witnesses made show me that we must think clearly about our objectives. We should think not about where we are now, but about how we will meet our regional, national and international obligations.

John Scott: It appears from the evidence that we have taken that most people aspire to car ownership. Some witnesses have said that investments in rail transport do not benefit people who do not have cars. How do you explain that evidence?

11:30

David Spaven: The phenomenon of growing car ownership has existed for some time, but a distinction is often made between car ownership and car use. In countries such as Germany and Switzerland, which have substantially higher rates of car ownership than we have, people use their cars much less because those countries place greater emphasis on high-quality public transport and—not least—on provision for people who travel on foot and for cyclists. The way in which such issues are approached can make a big difference.

John Scott: You may have answered my next question. Your submission refers to double standards in the delivery of projects that are designed to improve more sustainable modes of transport and you refer to some rail projects. To what extent do such double standards reflect current rail funding arrangements and the fact that rail infrastructure decisions are not the sole preserve of the Executive?

David Spaven: The diffuse responsibility for rail between the Strategic Rail Authority and the Scottish Executive is an issue. A wider transport issue is that there tends to be an obsession with mega-infrastructure projects, be they road or rail, when our policy objectives might be better met by many smaller-scale local schemes. In part, that relates to the big-red-ribbon scenario. All other things being equal, politicians might find it attractive to open a big new bit of infrastructure, because that would attract a great deal of publicity and might have many potential benefits.

However, small local accident reduction schemes on existing roads can be far more effective than new roads in cutting the number of road crashes. What we do for local communities to create safer streets can be of far more benefit for people. We get some hint of that when the possibility of introducing traffic calming is discussed. Communities around Scotland are desperate for traffic calming measures to be

introduced so that their kids can play in the streets and they can use the streets as a proper social space, rather than just as a car dump. The way in which an issue is considered can make a fundamental difference. Sometimes, we lose sight of our key priorities.

Mr Ingram: We have talked about the rail and road split. Last week, we took evidence that suggested that the scope for shifting freight from road to rail is limited. Cannot we acknowledge that the road system will continue to be crucial for shifting freight and crucial to economic performance in Scotland?

David Spaven: For the foreseeable future, road haulage will be the key means of moving freight. There is no getting away from that. However, opportunities exist for minimising the negative impacts of road haulage—even the road haulage industry acknowledges that it has several negative side effects.

We must consider the way in which statistics are used. Statistics are often quoted to show that most freight moves short distances, but that assertion depends on whether you measure by tonnes or tonne kilometres. When you measure by the number of freight trips and ignore the distance, many trips are short. An alternative is to measure by tonne kilometres.

It is quite well buried—and certainly not highlighted—in the commentary, but the "Scottish Transport Statistics" show the total amount of Scottish road freight that is moved. That covers all road freight moving in, to or from Scotland carried by UK heavy goods vehicles. Twenty-seven per cent of the distances moved are greater than 400km. It is no surprise that we think that those are the distances over which rail might play a role. The upside of Scotland's being on the periphery of Europe, from a rail-freight perspective, is that there are long distances between us and our markets. Rail is generally—although not exclusively—much more competitive on the longer hauls.

There are big opportunities in Scotland and we are wary about getting too carried away and seeing solutions to transport problems always in infrastructure. However, we need to consider equity between the various modes of transport and the problems, which include not being able to carry the tallest containers on the key route to Aberdeen—a major potential source of rail traffic—because the tunnels and bridges are too constrained. Rail would be able to play a significantly bigger role if such problems were tackled.

The Convener: You have mentioned infrastructure constraints on rail, such as low bridges. What role would you envisage ferries playing, bearing in mind the forthcoming launch of the Rosyth to Zeebrugge ferry and the speculation about using ferries on a route down the North sea?

David Spaven: If we consider the commercial, economic and environmental prospects, people might—as has been said—take different views depending on their objectives. The fact that much of Scotland is near the coastline is an advantage in that accessibility to ports is relatively easy. Container shipping operators have taken much advantage of the problems that have been suffered by the rail industry since the Hatfield crash, so much of the traffic that moved by rail to the deep-sea ports in England is now moving partly out of Greenock, but largely out of Grangemouth. It is interesting to ask what the net environmental benefit of that is. We do not know the full answer, but rail brings the potential advantage of there being strategic railheads throughout Scotland, whereas the shipping system is obviously restricted to the coast.

The extent to which Rosyth will be a successful port will depend on road hauliers and logistics companies, and on whether they prefer to travel down to the Humber, primarily by road, or to Teesport, primarily by rail. It will depend on whether they prefer two or three ferries a day, rather than a single daily ferry from Rosyth, and on the relative costs and benefits. We will have to wait and see.

Sea transport has significant potential environmental advantages, unless we reach the point at which ports are so large that they have a damaging local effect. Port expansion has now become a serious issue in the south of England because of the major environmental impact it has had, particularly on biodiversity. We have not yet reached that point in Scotland, but we might eventually.

Mr Ingram: You are very critical of the transport delivery report. You have highlighted such issues as the major road construction spending that is planned for the next few years. You do not appear to acknowledge or recognise the fact that major road construction has an economic rationale of some substance behind it.

You spoke about the Rosyth ferry link; there is also a west-coast link to Northern Ireland. One of our key problems is in the quality of the road links such as the A75 from Stranraer across the country, or the A77 and M77 into the central belt. You will be well aware of the cross-party lobby that has been coming from Ayrshire for a considerable time on the need to upgrade the A77, which the Executive is about to deliver on.

Why do you not recognise the importance of major road construction projects and the economic

benefits that they can bring to a locality? The benefits of such projects are not just economic. The other day, I was talking to a senior police officer, who said that there had been 37 road fatalities in Ayrshire, many of which occurred on the A77. There are a variety of reasons for improving our roads infrastructure, which you do not appear to recognise in your critique. Will you comment on that?

Colin Howden: We do not accept the member's claim that major road-building programmes will bring economic benefits because we do not think that the case for that has been made. A proper economic evaluation of the M74 northern extension has not been done. The Scottish transport appraisal guidelines have not been applied, and an economic impact report, as recommended in the 1999 Standing Advisory Committee on Trunk Road Assessment report, has not been produced. We do not accept in our paper the economic benefits that the member claims because those benefits are not clear.

Adam Ingram mentioned safety improvements on roads—specifically, on the A77/M77 corridor. Because no multimodal study of the corridor has been done, we do not know whether the safety benefits that the member claims could have been achieved through small-scale safety improvements to the existing carriageway.

David Spaven: The accident statistics for the single-carriageway sections of the A77 indicate that the road is very safe by Scottish standards, but there has been some distortion of the statistics. The traffic calming and traffic management measures that have been introduced on the most northerly single-carriageway section of the A77 have demonstrably reduced accident problems.

As Colin Howden said, low-cost local accident reduction measures are often much more effective pound for pound in achieving the benefits that we seek. They provide value for taxpayers' money. No multimodal study was done to discover the best solution to the transport problem in the corridor between Glasgow and Ayrshire. It is likely that that solution would involve a mix of measures, including improvements to road and rail, and to public and private transport. However, no such study was done.

Given the current situation, it is not surprising that people tend to opt for improvements to road links, particularly from Kilmarnock. Kilmarnock has the worst rail service of any large town within 30 miles of Glasgow; it has only a single-track rail route. For 10 years there have been debates about doubling that route or putting in crossing loops, but nothing has happened. The simple measure of adding an extra crossing on the line would make it possible to double the frequency of the service, to speed it up and to improve reliability. That picks up on a point that was made earlier. Such measures have not been introduced or studied. It is assumed that the road is a good thing, but that is assumed because of economic reasons that have not been demonstrated and on the basis of improving safety, which can be done far better by other means.

Fiona McLeod (West of Scotland) (SNP): I am interested in the points that you make. We are examining whether the budget allocations deliver the Scottish Executive's aims and objectives for transport. Using the example of the A77, you seem to be saying that, although the Government's aim is a modal shift from cars to more sustainable forms of transport, the Executive's presentation of road-building schemes is loading everything in those schemes' favour. You suggest that we are not getting evidence that would prove whether road-building schemes should get the priority and money that they are receiving—£500 million, as opposed to £175 million for public transport. Could you expand on that?

Colin Howden: I agree with the member's summary of our position. The one specific progress indicator that is highlighted in the transport delivery report—which is the current Scottish Executive position on transport policy—relates to stabilisation of road traffic miles. Back in 1995, a second SACTRA report was done on the traffic-generating impact of new trunk road capacity. The report concluded that, in general, if more road capacity is built, more traffic will be generated.

Our view is that a major trunk-road building programme is the Scottish Executive's first and last priority in transport. If the advice that was given by SACTRA in 1995 is taken on board, the assumption is that more capacity will lead to a rapid increase in traffic, which would not otherwise occur. Given the lack of success of technical fixes to abate carbon dioxide emissions from transport, we conclude that there will be a major climate-change impact in Scotland. Climate change emissions will increase, which is utterly incompatible with the Executive's climate change emission commitments.

11:45

Mr Ingram: You argue that we must apply full environmental costs to transport to reach the correct options for investment in public transport infrastructure. If environmental costs are included in assessments, would that not put Scotland at a disadvantage to other countries with which it competes globally that do not include such costs but look only at crude economic efficiency measures?

Secondly, how should the balance in the transport delivery report be shifted? Walking was mentioned. How should a fairly substantial budget be shifted around to reach the objectives that you want to reach?

David Spaven: It is obvious that, if one country were to go it alone, it would put itself at a short-term economic disadvantage. We look to the European Union to provide the framework within which there can be a level playing field for competition. There are signs that that is happening, but it seems to be happening at a painfully slow rate of progress.

The specifics of the transport delivery plan should be considered. As Colin Howden said, a massive road-building programme is planned that is as big as anything that the Conservative Government operated in the 1980s and 1990s. If more roads are built, more traffic will be generated in and around the major urban areas. Such traffic does not stay on motorways—it spills over into residential and shopping streets. It will create more congestion and more economic problems.

To achieve an economic advantage in transport, we need to manage our transport better and manage demand. The market has failed. A number of people have pointed out that motorists are not charged for using road space at different times of the day. Someone remarked that the fact that there is no pricing structure whatever for travelling at busy times is the last Stalinist element of the economy. Travel by plane or train costs more at popular times. There is an issue relating to how we manage and price our traffic and how far we devote money to alternatives. Given the local nature of most transport, such alternatives include making it more pleasant and safe to get around on foot and by bike.

There is no doubt that we can learn from the experience of others. Those of us who have travelled to mainland Europe have seen better ways of doing things. High priority is given to public transport, walkers and cyclists.

I disagree with what an earlier witness said. The USA is doing much in demanding high-quality public transport in cities such as Portland in Oregon and San Francisco. The former executive director of San Francisco County Transportation Authority was a speaker at our conference on Monday. He told us that two urban motorways in San Francisco have been demolished and he discussed the economic benefits of demolishing motorways, which can be replaced with advanced light rail systems and boulevards that are attractive to shop and work in. The approach has regenerated parts of the downtown San Francisco economy. Previously, there was an elevated freeway that was characterised by prostitution, drug taking and economic decline.

We must learn from others and not go down the 1960s road—literally—of doing what we are doing in the west of Scotland. Instead of deconstructing motorways, we are talking about spending £250 million on something that will generate yet more traffic and create more problems than it solves.

That was perhaps a rather roundabout way of saying that, although we have to consider the wider costs, we do not have to be totally out on a limb. Short-term and medium-term benefits, as well as long-term benefits, will come from working within a common framework.

Maureen Macmillan: Your analysis focuses solely on urban areas; I hear nothing at all that applies to rural areas. You keep talking about walking and cycling but, if someone lives in a remote rural area 30 or 40 miles from their workplace, there is no way that they can walk or cycle to work. Many people have to travel long distances.

If you are talking about full-cost pricing for transport, how on earth can you reconcile that with the social needs of people in remote areas? I am thinking, for example, of public service obligation support for air services to and from destinations in the Highlands and Islands. What do you have to say to the people of Orkney, Shetland, Tiree or Mull? You have focused on one part of Scotland and have not considered the needs of rural Scotland at all.

The Convener: Before you respond, I would like to widen the question. How do you balance the polluting effects of air travel with the obvious importance of air travel to island communities? Should Government provide subsidies to reduce the cost of air travel to those communities?

David Spaven: Colin Howden will answer the point on air travel and I will answer Maureen Macmillan's question.

There is no question but that Scotland is very much an urban country. The overwhelming majority of our population lives in built-up areas. In parts of Scotland, people live in fairly far-flung communities but, even in the Highlands, most people live in built-up areas—large villages or towns that tend to be along transport corridors rather than being very remote. We have to consider the extent to which Scotland's transport policy should reflect urban and rural circumstances, but we also have to be clear that most of the solutions that we require are for built-up areas.

I take the point that, if somebody lives 30 or 40 miles from their work, they will not be able to cycle. However, Inverness, because it has a relatively concentrated population, has a relatively high number of cyclists. Perhaps surprisingly, the statistics tell us that the average journey-to-work

distance in the Highlands is very little different from the Scottish average. I guess the reason for that is that many people are now doing long commutes into Glasgow or Edinburgh from East Lothian or Helensburgh or wherever. We must consider the extent to which our transport system and its subsidies should support long-distance commuting so that people can live in a pleasant rural area but work in a city quite some distance away.

When we consider rural transport and rural economies, we cannot consider transport in isolation. We must consider regional development and services. Paradoxically, one reason for the closure of local shops and post offices is that more people are driving. The more people drive 50 or 100 miles to Inverness, the less custom will be available for local services.

To some extent, Government has moved in to say that a social justice, or a regional justice, issue has arisen and that we must support local facilities. However, an integrated approach is required. For example, we have to consider the policy on schools. Do we let local schools close because it would improve the budget? Or do we keep local schools, do we keep local post offices, and do we encourage local businesses? This is not only a transport issue.

A couple of years ago, the University of Aberdeen carried out a study that, not surprisingly, got very little publicity. The study found that in rural areas people grossly underestimated the public transport available to them. Public transport is often very much better than motorists are willing to admit.

About six months ago, I did a wee test at a conference in Biggar by asking people how many buses they thought called at Biggar every day—I asked whether it was over 10, 20 or 30. Everyone got it wildly wrong because the actual figure was 80 buses a day. Nobody had the faintest idea about that.

Although providing public transport in rural areas is always difficult, it can be done. Western Isles Council—I will not try the Gaelic pronunciation—has taken a conscious policy decision to subsidise a frequent and efficient bus service for Lewis. The service is of a high quality and has been considerably successful; people now have confidence in the bus service. We should not rewrite transport policy just so that people with large gas-guzzling cars can commute 50 or 60 miles to the nearest city rather than living in or close to it.

Colin Howden will pick up on air travel.

Colin Howden: Clearly, air travel is the most energy-intensive and polluting form of transport, apart perhaps from space travel. We should try to restrain growth in air travel if we are to have any hope of meeting emission-reduction targets. The broad framework for aviation in Scotland should be worked out within our climate-change strategy. I am prepared to accept that there is scope for a specific policy for some of the more remote lifeline services. The majority of Scottish air travel goes through the main airports at Prestwick, Glasgow, Edinburgh and Aberdeen. One might want to add Inverness to that list. I guess that around 20 million passengers a year go through those airports. I do not know the exact figure for the airports in the Highlands and Islands, but I imagine that it is less than a million—if not half a million—a year. There might be scope for the promotion of air travel in remote areas, but that is not the case for the majority of air travel.

Maureen Macmillan: Should social needs perhaps take priority over the environmental issues that are connected to air travel?

Colin Howden: One could make a case for that.

Maureen Macmillan: If that can be done for air travel, should it be done for car travel? Cars in the Highlands are not necessarily big gas-guzzling ones—they are often old cars that are driven by people with low incomes who have no alternative means of getting to work, because of shift patterns for example.

Colin Howden: There is no doubt scope for a change in fiscal and pricing structures to try to make the price paid for motoring better reflect the external impact of motoring. Two policies that we have promoted over the years come to mind. One is road-user charging in urban areas where problems of pollution and congestion tend to be more serious. The other is the transfer of vehicle excise duty, which is a flat charge on access to motoring, to fuel taxation. Of course, a car driving in the Highlands generates the same amount of climate-change emissions as one driving in a city. I am not sure what can be done about that.

Maureen Macmillan: I accept the point, but there is often no alternative to the car.

I have a question about the expansion of transport infrastructure. We heard earlier—some people might not agree—that better transport infrastructure is required to bring economic development to remoter areas. The witnesses seem to have turned their faces against that point. Would they make an exception for remoter areas that have infrastructure from the last century or the century before that?

David Spaven: The nub of the issue that you raise is rural poverty. It is recognised that there is such a problem, but we should think about specific measures to tackle rural poverty rather than across-the-board measures that benefit the richest people with their gas guzzlers—by enabling them

to drive 80 miles to work every day—as well as benefiting people in remote rural areas with no public transport who must use their old banger to get to work or to basic facilities such as schools and shops. I suggest that we should try to be a bit more focused, rather than to use a broad-brush approach which, on balance, would generate far more traffic than is necessary.

The question whether we should make an exception on expanding infrastructure for rural areas takes us back to whether we understand the impacts of transport infrastructure improvements on the economy. The committee has heard from Iain Duff from the SCDI, who was a speaker at our conference the other day. The SCDI and others acknowledge that we do not really know the impact that transport has on economic development, although we think that we do.

12:00

We see the M8; we see all the tin sheds—the regional distribution centres at Bellshill, Livingston and Cumbernauld—and we think that there is a direct link between them and economic development, but we do not know whether such developments simply deprive another place 10 miles down the road of something that would have happened there. We do not know what the net benefit is and we do not know what the distributional impacts are.

Above all, we do not know about the two-way effects of a road. At our conference, Alf Young from *The Herald* bemoaned the fact that it took so long for the M74 to the south to be built because it was crucial for Scottish exports. However, it also has an impact on Scottish imports. Each road is two-way. One of the earlier witnesses made the point that a road can take development out of an area rather than bring it in. I suggested facetiously that the M74 should have three southbound lanes and only one northbound lane, but that did not seem to go down well.

Maureen Macmillan: I have a more general question about implementing the modal shift. If we shift people from car transport to public transport, whether urban or rural, there will be some kind of gap. How will that be managed? We do not want to compromise the prosperity and material well-being of the current generation by saying, "I'm sorry, you can't use your cars anymore, but we haven't got anything else for you to use." How do we get over the funding gap?

Colin Howden: That takes us back to the point that we do not know whether we are jeopardising economic benefits, because in most cases we have no analysis of them. I am not aware of analysis of the impact of increasing road infrastructure in the Inverness area. It could be that the net economic impact on the Highlands has been that economic activity has been taken away from the more remote areas and centralised around Inverness. I do not know; that is a hypothesis. Unless we ask such questions, try to get answers to them and try to form policy based on informed judgments, we will continue to make bad policy.

Robin Harper: I have a question about a trend in the past 20 years. Twenty years ago, 80 per cent of children in Scotland walked to school and only 20 per cent went by car. That trend has now reversed. About 80 per cent of children are dropped off at school from cars and only 20 per cent walk or cycle. Do you agree that, in Edinburgh at least, road-user charging is the only way to address that trend, because it is cultural? There is no other reason why it should have happened: schools have not changed and places of living have not changed. Is there any other way to address the problem?

The Convener: I will add to that, although I do not want to get into a broad debate about road-user charging in Edinburgh at this point. To what degree would the road-user charging proposals impact on parents dropping their kids off at school, given that most such journeys would not cross either of the proposed boundaries?

David Spaven: I do not want to launch into a detailed discussion of road-user charging at this stage. Freedom for schoolchildren has reduced in the past 20 years in that their parents have lost confidence in letting them walk or cycle to school. The contrast with countries such as Germany is stark. In such countries, a large proportion of schoolchildren still walk or cycle to school because conditions are safer for them.

It is a bit hard to say what the detailed impacts of road-user charging would be. It would start to effect a cultural or lifestyle change. People would start to think more directly about the consequences of their decisions.

At the moment it is perceived as being very cheap to jump in a car to drive a couple of miles, because one has to pay only the petrol charges at the margin. However, with an up-front charge that includes the wider impacts on society, we can address through the price mechanism the sort of decision that people will make, so we might get some more rational decisions. One of the reasons why road-user charging is seen as so important for achieving the progressive objectives that Edinburgh has is that there does not seem to be a lot of other money available. The bias of expenditure in the Scottish transport budget towards road building in the west of Scotland does not leave much for anyone else. We must ask what the priorities should be, because it is impossible to do everything. Some £250 million is due to be spent on the M74 northern extension.

For the money that is being spent on five miles of motorway in the west of Scotland, we could provide a safer route to school for every child in Scotland. We must ask what constitutes value for money for the Scottish people. Do we want to build a safer and more pleasant local environment for children and adults, or do we want to focus on a bit of infrastructure that will generate more problems than it solves?

Fiona McLeod: I would like to ask about the 80:20 per cent split. If we cannot get kids on their feet and walking to school, not because of safety but because of time constraints and the way society has changed, will the rules that govern the provision of public transport to school stand in the way of getting kids out of the car and on a bus?

David Spaven: I do not know the answer to that, but there has been a trend away from people going to their local schools. That is one of the side effects of policy in a totally different area. If one promotes choice and people then drive to the other side of town, it is difficult to replicate that journey by public transport, walking or cycling. That is an issue for education policy. My view is that, at primary school age, it should be possible for the overwhelming majority of children to get to primary school on foot or by bike and we should not have to worry about mechanised transport. The environmental and safety imprint on society of people who are walking or cycling is utterly negligible. Although a bus is much better than a car, promoting bus travel does not have the same outcome as promoting walking and cycling.

Colin Howden: We should focus on walking and cycling to school, rather than on public transport. For tackling childhood obesity, increasing childhood independence and getting children out of the habit of using cars at an early age, walking and cycling are what we should focus on. That is one of our key recommendations for what the Executive should be investing in, rather than throwing money away on large infrastructure projects.

The Convener: That draws our questions to David Spaven and Colin Howden to a close, and I thank them for their useful evidence.

Let us move on to the next group of witnesses. I welcome Tom Matthew and Stuart Black from Highlands and Islands Enterprise and Jim Cameron from Loganair. Thank you for the written evidence that you have submitted to the committee and for appearing before us today. I know that you were told that you could make some opening comments, but I hope that you will indulge the committee and allow us to move straight to questions—both organisations have submitted written evidence and I know that members have read it.

Angus MacKay: Before I begin, I must apologise for the fact that I have to leave the committee at 12.30.

My first question is for Tom Matthew and Stuart Black. What general comments do you have on the transport delivery report? Can you elaborate on your view that the underlying purpose of the proposals in that report is to tackle urban congestion and so foster economic development generally? Everyone is aware that the provision of transport services and facilities is expensive for areas with a low population density and particularly where sea crossings or air links are necessary. How can a balance be achieved between the needs of such areas and those of the more densely populated areas of Scotland, given the fact that resources are limited?

Tom Matthew (Highlands and Islands Enterprise): As you say, tackling urban congestion is the number 1 priority in the transport delivery report. As you will have read in our submission, we believe that that priority should be widened to address access to service centres. In urban areas, at certain times, there is too much demand to get to service centres, which is what produces congestion. In some more remote areas, there is not enough access to service centres. For example, some of the winter ferry services to Islay and Tiree are very sparse. The issue for Scotland as a whole is access to service centres, but the way that is dealt with in different areas will differ.

There is a heavy exports per head emphasis in the Highlands, so we will benefit from anything that can improve access to sites such as Bellshill for onward forwarding of food and drink products, but we will see the benefits of reduced congestion in urban areas only if those travelling from our more remote areas can get there on time in the first place. We need to link those things together.

Mr MacKay mentioned the expense of providing services in more remote and sparsely populated areas. I think that the existence of that cost is generally recognised. In general, Highlands and Islands Enterprise's view is that we must ask how we can make better use of existing resources. For example, we might be able to promote a shorter crossing to an island. That would require some initial infrastructure investment for a new terminal, but it might result in more frequent sailings, greater demand and a reduction in the cost of providing the ferry service on a yearly basis. In effect, one can save money—or at least spend the same amount of money but provide a better transport service.

Expenditure can be quite lumpy. For example, there has been significant expenditure to support the new ferries to Orkney and Shetland. Assuming that the Executive and the ferry operators have handled that correctly, we should not have to

spend on it for another 20 years. Providing transport services to some of our smaller communities is expensive on a per head basis, but it allows them to access services on the mainland for which they already pay but have difficulty accessing. Transport spend per head will look high for people in the small isles, but they have only intermittent access to facilities—for which they are paying—on the mainland. We must consider such expenditure in the round.

On the balance between urban and rural areas, our difficulty is that no clearly identified sum of money is spent on transport in the Highlands and Islands every year. We are unable to comment on whether enough—or too much—money is being spent on transport in the Highlands and Islands and whether money is being spent on the right things because we do not have the figures. We know how much is being spent in Scotland as a whole, but the roads budget is not allocated on a regional basis.

Angus MacKay: I am not sure whether you directly answered the question about the transport delivery report, although, if taken together, your comments could constitute a response.

Before I move on to my second and third questions, I would like to pick up on a point that is slightly focused, if I may put it that way, on Orkney and Shetland. Given the fact that there has been some quite expensive investment—in cost/benefit terms—in ferry services between the mainland and Orkney and Shetland, what is your view of the incongruous position of the Executive bankrolling those services while substantial oil funds exist for those two areas?

12:15

Tom Matthew: In effect, ferry services to Orkney and Shetland are trunk roads on the sea. Elsewhere in Scotland, the Executive funds trunk roads. You expect all the trunk roads that come into Edinburgh to be funded by the Executive.

You also mentioned cost/benefit. Shetland and Orkney are vital parts of the Scottish economy because of the oil sector and the Flotta oil terminal. In Orkney in particular, the value of exports per head is high, and most of those exports leave Scotland. We need to bring that factor into the round when we talk about cost/benefit. There are economic impacts, rather than simply—

Angus MacKay: May I come in again? Those are excellent points, and I do not disagree with any of them. The analogy of trunk roads on the sea is good. I was trying to get at the fact that there are substantial oil funds in both areas. If those funds had been deployed, in whole or in part, to cover some of the ferry costs, they might have enabled the costs associated with the ferries to be invested in developing transport infrastructure on from the ferry terminals. Do you have a view about that?

Tom Matthew: Sorry—when you said “on”, did you mean the transport infrastructure on the islands?

Angus MacKay: I meant the transport infrastructure on the islands or on the mainland. There is not much point having excellent ferry services between the islands and the mainland if the transport services that people go on to use on the mainland are substandard or not supportable—

Tom Matthew: Through the significant investment that has been made by both councils, the links in Orkney and Shetland from Stromness, Kirkwall and Lerwick are good, in Highlands and Islands terms. I do not think that there will be any reduction in the impact of the NorthLink investment because of poor transport links. If other funds had been brought in, the matter could have been considered in the round. The P&O contract was coming to an end. We should, perhaps, have sat down and thought about the best means of transport to Orkney and Shetland, rather than just about replacing the boats because they were getting old. As you will see from our submission, we believe that air services in the Highlands and Islands could play a greater role. We should not simply continue to assume that most people will travel by ferry and that air services are a form of luxury travel.

Angus MacKay: I am a little concerned that substantial oil funds are just sitting about. I am not quite sure what they are intended for. They seem to have been put away for a rainy day. I am not sure when that rainy day will come.

Tom Matthew: They are used for general economic investment. Tourists need to have things to do. Perhaps the oil funds are being used to support business infrastructure in the islands, so that businesses can benefit from the upgraded transport links. I repeat that one could stretch the analogy to places that are far wealthier than Orkney and Shetland, such as Edinburgh and Glasgow. Are we saying that those cities should have to pay for all their own trunk roads because they are relatively wealthy?

Angus MacKay: I would be delighted to have a debate about how Edinburgh should use a fund the size of the Orkney and Shetland oil funds but, sadly, urban authorities do not have such funds. We will leave that issue and I will move on to my next question.

It is clear from the discussions that we have had today and previously—the witnesses will be aware of them—that there is a continuing debate about

whether the public expenditure that supports transport merits a greater share of the Scottish Executive's budget. Do you agree with the view that transport should command more of the budget? If so, what particular arguments would you make to substantiate your position?

Tom Matthew: You are asking about the budget for Scotland; we are employed by Highlands and Islands Enterprise and are here to represent the interests of businesses and communities in our region. We do not know what the balance is between private and public transport in the Highlands and Islands. If the Executive could produce the figures, we would be in a better position to account for the spend. There may be scope to spend more on transport.

We have talked about the other investments that are being made, such as the new hospital in the southern isles that the First Minister opened this week. If it is expensive and difficult to get people to the hospital because the air services or ferry services are not sufficient, the value of the investment in the hospital is lessened.

The other argument is that the exporting pattern of the Highlands and Islands is an exaggerated version of Scotland's exporting pattern—because we have a small internal market, we need to export a lot of goods. We also have to bring a lot of tourists into the area. Transport is fundamental to both those elements. Although there has been significant investment in infrastructure, there are still gaps to be addressed, particularly in the trunk road network. If we were able to get realistic figures on what is spent on transport in the Highlands and Islands, we could probably make a case on economic grounds—to support our export activities—for a concerted effort to fill the key infrastructure gaps and to find ways of delivering and funding the transport services that use the ferry terminals and airports, for example.

Angus MacKay: I accept your argument: if such information is not available, it should be made available. More information about what is spent in the Highlands and Islands would help you decide whether more money—or less—is needed. I would be surprised, however, if Highlands and Islands Enterprise did not take a view similar to that of other witnesses: the quality of transport delivery in one area depends not only on the infrastructure in that area but on the infrastructure in the rest of Scotland and the UK. In that context, what is your view on overall transport spending in Scotland?

Tom Matthew: That comes down to filling key gaps, whether they be roads or, for instance, the rail link between Perth and Edinburgh. We could benefit greatly from investment in the Perth-Inverness link, but that benefit would be fully realised only if the Perth-Edinburgh link were upgraded as well. We are not saying that all the money should be spent on the Highlands and Islands, but it is difficult to suggest what the balance should be between spend on the Highlands and Islands and on the rest of the country.

Angus MacKay: That is not the question that I am asking. I am sorry to labour the point, but I am asking whether you—from your localised situation—have a view about the overall balance of transport expenditure in the budget.

Tom Matthew: There should be a concerted effort over the medium term—say, the next five years—to increase the proportion of the budget that is spent on transport. The effects of that should be monitored so that, at the end of those five years, we will know what we have got for our money and what might be needed in the future. Scotland has an export-focused economy, but getting tourists into the country is important as well, so the links to England and beyond are vital for the Highlands and Islands and the rest of Scotland.

Angus MacKay: Given that you want the amount of money that is spent on the transport infrastructure to rise in a set period of time, what is your view of the Executive's recent decision to spend the chancellor's largesse on health? You do not have to be controversial if you do not want to be, but do you have a view on that?

Tom Matthew: My view is implicit in my previous answer. The balance must be looked at in the round. Although the Executive has decided to spend the extra money that will be available as a result of the chancellor's decision on health, additional resources might be made available through other avenues. The decision to favour health does not in itself rule out additional resources for transport in the public expenditure review that is taking place. Transport is sufficiently important to warrant extra money, however realised, being dedicated to it.

Stuart Black (Highlands and Islands Enterprise): A recent report suggests that accessibility is fundamental to tackling poverty and social exclusion in rural areas. There is a need for a joined-up policy that addresses social exclusion in rural areas. Access is the differential between rural poverty and disadvantage and urban poverty and disadvantage. An increase in investment in transport infrastructure is needed for social justice and economic reasons.

Angus MacKay: I have had a fair kick at the ball on that issue, so I am happy to leave it to colleagues, if they would like to comment further.

Maureen Macmillan: How do you prioritise all the proposals in your submission? Transport is obviously necessary for economic development. Social inclusion and the environment are other

aspects. Perhaps you could elaborate on your proposals and state what your priorities are, rather than give us a wish list. A witness from a rural local authority who gave evidence to us last week was keen to have more money spent on local roads maintenance.

Stuart Black: Highlands and Islands Enterprise would identify three priorities. Our trunk roads are the first priority. The majority of visitors to the Highlands and the bulk of goods that are exported from the Highlands use our trunk roads. In particular, the trunk roads to the north of Inverness and those that run between Fort William and Glasgow require significant investment.

Air services are the second area in which more investment is needed. Air services have been neglected, particularly in the Argyll islands. The lack of an internal air service in Argyll contrasts with the position in Orkney and Shetland, for example.

Thirdly, we would like more frequent services to our most peripheral communities. That is partly an issue of social justice. We are focusing more and more attention on such communities. The First Minister opened a new data processing centre in Benbecula this week. The centre is indicative of our jobs dispersal programme to remote and peripheral communities. More frequent services that build on the infrastructure that has been established in those communities are vital.

Maureen Macmillan: When you talk about more frequent services, what kind of services are you referring to?

Stuart Black: Tom Matthew made the point that you can invest an awful lot of money in a new ferry and a new terminal, but if the ferry is not available during the winter because the route is withdrawn or is much reduced, the economic benefit from that asset will be reduced. The asset will sit at a pier rather than be actively used. Frequency is important not only in relation to the regularity of a service, but in relation to the number of days on which it operates.

It is interesting that the Rural Development Committee thought about going to Colonsay to take evidence until members of the committee realised that they would have to stay there for two or three days before they could take the ferry back. That illustrates the need to increase the frequency of services to such communities. In every other way, the Government is paying a lot more attention to those communities.

The Convener: Do you have detailed costings for the priorities that you have mentioned? I have recently been to the Highlands on a few occasions and have seen the condition of some of the trunk roads that you mentioned. I understand the physical evidence for your proposals, but have you worked out costings for the impact on the Executive of such projects?

Tom Matthew: I do not have any figures with me. The trunk roads are the Executive's responsibility—it is not up to Highlands and Islands Enterprise to provide costings for the Executive's road schemes. Particular ferry scheme developments are continuing. Fixed links in Argyll were examined, but were rejected because the costs were considered to be high in relation to the benefits that they would bring. Are you asking about schemes such as air services and ferries?

The Convener: I am asking about any of the schemes. Where specific schemes—whether road, rail or ferry—are being advocated, there must be an analysis of the cost compared with the social, environmental and economic benefits. It is important for us to focus on what the balance is.

Tom Matthew: On roads, we regard our role as being to provide the economic justification, the engineers and so on. We are not a road authority or a transport authority that provides information; we work up specific requirements.

Reopening Oban airport would cost between £800,000 and £1 million. Before we took such a measure to improve services to Tiree, Coll and Colonsay, we would have to consider its cost against the cost of sustaining the existing system and making any improvements in it. The subsidy to the Argyll islands air service might be around £200,000 per annum. I must emphasise that those are broad figures.

We may opt to improve access to the islands because we agree with Stuart Black's view that each community should have a certain floor of provision—a certain minimum number of sailings or of air services a week—but it would cost money to upgrade those services. Just increasing the size of the boat that serves Islay—not running a more frequent service—would mean that each of the three ports involved would have to be upgraded. Doing nothing, or doing the minimum, costs money too.

Fiona McLeod: I was interested to hear that trunk roads are your top priority. Do you view the improvement of trunk roads as an economic priority so as to enable more cars to use the roads and to enable companies to get more freight out? Would you see it as an environmental benefit, too? If the roads and the road network were better, would that ensure that bus services were improved?

Let me ask a specific question, so that you will be able to see what I am getting at. When you examined the Benbecula site, did you find out how many folk will have to travel there by car? Did you also consider ensuring public transport access to the Benbecula site?

12:30

The Convener: Would you say that improvements in the trunk road network produce other benefits, particularly in reducing the need for mainland-to-mainland air services?

Stuart Black: One of the points of choosing Benbecula was the quality of the air services between Inverness and Glasgow and Benbecula. The other element, which you are not currently examining, is the telecommunications side, which has been very important in opening up remoter communities in the Highlands for work.

I am not an expert on commuting patterns on Benbecula, but there are a range of facilities in the area, close to our data centre, including the community school and medical and other services. Benbecula is a part of the Western Isles that is relatively accessible by public transport. Apart from the air services, the more important thing for us was the quality of labour there, which is absolutely excellent.

Tom Matthew: The basic answer to the convener's question is no. If the road links between Glasgow and Manchester were upgraded, I do not think that anyone would say that air services between the two cities no longer needed to be provided. Road improvements will benefit the freight market, not just through reducing journey times but through more reliability in connecting on to the European mainland. Driving from Wick to Edinburgh, for example, will still be a significant drive, even if the road is improved significantly.

A journey from Campbeltown to Glasgow or from Wick to Edinburgh by air will often be only the start or end of a longer journey. People will want to get to those airports for specific connections at specific times. For those reasons, I do not think that it is a matter of either improving trunk roads or maintaining mainland-to-mainland air services.

The Convener: I was thinking specifically of the Campbeltown-Glasgow route and whether an air route should be subsidised when there is also a good road link.

Tom Matthew: The Wick-Edinburgh air service is not currently subsidised. There could be an improved road link between the two locations, but getting from Wick to Edinburgh for a connection would still be a significant journey.

The Convener: As I said, I was really talking about the Campbeltown-Glasgow link.

Tom Matthew: Much of that route is not trunked, so it would fall to the local authority to improve it. In any case, there can still be a need for people to make that return journey very quickly. There have been times, particularly in the winter, when the road between Glasgow and Campbeltown has been blocked and the only way to get from Kintyre to Glasgow has been by air.

A significant reduction in journey times on the Campbeltown road link would require massive expenditure. It will still be needed for freight, but I believe that maintaining the air service to Campbeltown is important for the effective and efficient movement of passengers. Even though it runs only five days a week, with two return journeys a day, that link provides people with a broad range of transport options rather than an assumption that road is the only way to travel.

Maureen Macmillan: Has any analysis been carried out on the effect that more frequent and cheaper air services would have on ferry routes? We cannot have everything running together, but how do you view the balance, taking freight into consideration as well as passenger journeys?

Stuart Black: You are right to say that we cannot have everything and that there are choices to be made. Air services carry some fairly high-value freight out of the islands, particularly seafood. Ferries will always be slower than aircraft. For business purposes and for medical and other social reasons, frequent air services are vital for us. We feel that more air services could be developed.

There have been major improvements in ferries. Some of the west coast islands that have been most economically successful over the past few years, such as Mull and Bute, have better ferry services than do some of the remoter and more peripheral communities. It is a question of determining whether we should trade off the frequency and quality of air services for business and other purposes against tourists and other ferry users. It is a difficult balance to strike.

Tom Matthew: Three boats a week leaving Oban at half six in the morning is not enough to sustain the communities of Coll and Tiree. The question is whether we should spend a lot of money on an overland route and other such infrastructure in Mull or whether it is cheaper and more effective simply to keep shipping freight and moving people by air. We do not necessarily have to do both but, following on from Stuart Black's remarks, I think that we might not have taken enough account of air services. I made the same point about Orkney and Shetland: when the boats had to be replaced, it was assumed that new ferries were needed. We did not take the opportunity to examine transport in the round and consider whether we should change the balance.

Maureen Macmillan: Air services need considerable subsidies. Furthermore, if you are going to use Oban airport, you will have to flatten Ben Lora.

Tom Matthew: Argyll and Bute Council is

discussing the issue with the Civil Aviation Authority. I am not an expert on this matter, but I do not think that the proposal to use Oban is totally out of the question. There are other options. For example, an airstrip at Broadford could be reopened or, if we are being radical, we could consider helicopter services, which operate very effectively to the Isles of Scilly. That might take a bit of money, but if it saved investment on infrastructure and on ever larger vessels and still allowed us to get people much more quickly from place to place—for example, it could allow us to start day return trips to Oban from places such as Tiree—it would be money well spent. All I am saying is that when we analyse such matters we should include air services; we should not assume that only ferries operate on the west coast.

Maureen Macmillan: That needs to be analysed.

Are you concerned about the environmental impact of air services? We have just heard that they are the worst offenders, environmentally speaking.

Stuart Black: The number of air services that we are talking about would not have a significant environmental impact. I think that the heaviest polluters are jet aeroplanes, although my colleague from Loganair will be able to confirm that more readily than I can. Given the types and sizes of the aircraft used and the frequency of the services, the environmental impact would not be significant.

Maureen Macmillan: My final question touches on the cost of airlines. I am aware of recent events in Orkney involving Loganair and the council and realise that we can run into difficulties over negotiations and so on when only one operator is prepared to run a service. Would you want more than one company to run services to the islands and thereby to create more competition?

Tom Matthew: That would be ideal. You raised the Orkney example. Jim Cameron will correct me if I am wrong, but I believe that there has been competitive bidding for services in the Western Isles. Several companies will bid for routes on which planes might be used for other purposes, such as some of the public service obligation services. If more companies compete, the price will be lower—although on routes in the Highlands and Islands that will never be the case. The Orkney example might not fully reflect the situation with other routes, particularly in the Western Isles.

The Convener: As we are running against the clock, I want to move on to John Scott.

John Scott: My question is for Mr Cameron. Air transport in Scotland's Highlands and Islands received substantial public financial support through airport subsidies and PSO arrangements. Do current supported services provide value for money to the consumer and taxpayer?

Jim Cameron (Loganair): I must highlight a number of issues in relation to the current set-up. The Scottish Executive spends its money predominantly on airports. The PSO subsidy that Loganair receives from the Executive is a small part of the overall subsidy. Loganair has been pushing for improvements in the availability of the Highlands and Islands airports—by which I mean improvements in the opening hours. That is vital to ensure better utilisation of the airports and our own assets.

We will also continue to push for infrastructure improvements at the airports. We now have new terminals at Inverness, Kirkwall and Stornoway. We still have to install instrument landing systems. The ones at Inverness and Stornoway are coming but the most important one is at Kirkwall, which has been delayed significantly and will not appear until October 2003. Those systems are important to ensure a good, regular service for customers in the Highlands and Islands.

John Scott: What, if any, have been the implications for Loganair and full-service carriers across Scotland of the emergence of low-cost carriers?

Jim Cameron: I can tell you about the impact on Loganair and I can give you my thoughts on the impact on the full-fare carriers.

I did some work on the low-cost model when I was with British Airways and I was involved in setting up Go. The aviation model is different from the one that Loganair operates. Low-cost carriers have one type of aircraft, predominantly a 737-300 with about 150 seats. It runs from 6 o'clock in the morning until 11 o'clock at night, or later if that is possible. The utilisation of the aircraft is high. They fly 10.5 to 11 hours per day compared with our utilisation of about four hours per day, because of our type of flying. There is a vast difference in the use of the aircraft.

The low-cost carriers' aircraft have two pilots and our aircraft have two pilots. They have the minimum requirement for cabin crew—one cabin crew member per 50 passengers aboard the aircraft. They run a very basic service. You can buy a cup of coffee and a sandwich on board.

Low-cost carriers do not do any connections at all, which is quite important in the context of the Highlands and Islands. If someone decides to go to Luton, then beyond, they have to buy two different tickets. If your first flight is late and you miss your next flight, you can lose your money. The connections that Loganair is able to offer through our franchise operation with British Airways mean that we can look after passengers throughout their journey, and a through fare is

available.

There has been an impact on the way in which scheduled carriers consider their operations. There is also the question of the value of the facilities that the scheduled carriers offer compared with those offered by the low-cost carriers, and whether passengers are prepared to pay for those facilities.

The low-cost carriers have a range of fares and you can buy a cheap fare two months before travelling. When you want to fly on the day of operation, you will pay a fare that is as high as, if not higher than, the fare on some of the scheduled carriers. The model is different and it works in dense markets.

Mr Ingram: Do you envisage further penetration of the market by such carriers and are there implications for your operations? Do you see those carriers as a threat or a help?

Jim Cameron: The type of market in which we operate, with our size of aircraft, has fairly thin routes that would not bear competition, certainly not from a 737-300 with 150 seats on it. It is unlikely that the low-cost carriers would come into our markets. There has been discussion about Inverness and reports in the press about Ryanair considering Stornoway. I would be interested to see Ryanair's business case for that one.

Some routes might make sense for the low-cost carriers but their number would be restricted.

The Convener: Would there be an indirect impact on your business and the services that you are able to offer if the low-cost carriers had an impact on British Airways's market and on the decisions that British Airways makes about its services?

12:45

Jim Cameron: Yes. If British Airways had to reduce some of its services—for example, because of competition—that would potentially reduce the number of connections that we would have with British Airways to certain destinations.

Mr Ingram: On the other hand, if low-cost carriers are growing the market for air travel—and Tom Matthew said that he perceives a latent demand for those carriers, which has not been realised—their impact could be a positive thing for air services in the Highlands and Islands.

Jim Cameron: Your point about low-cost carriers growing markets is absolutely right. However, those carriers have taken some of the market away from other forms of transport—for example, trains and coaches. That is where they get most of their mainland-to-mainland traffic from.

Mr Ingram: Could low-cost airlines offer efficiency savings in the delivery of supported air services to or from the Highlands and Islands—say, through a gross or net tendering system for the entire network or groups of services?

Jim Cameron: As I said, the business model for low-cost carriers tends to involve a very efficient utilisation of one aircraft type and very high volume markets. I would not envisage the Highlands and Islands operation fitting terribly well into their kind of network or their business plans.

Maureen Macmillan: Loganair operates small planes—sometimes very small planes—which is not the same as easyJet or Ryanair.

I want to ask you about the whole system. At the moment, you have contracts with Orkney Islands Council and Shetland Islands Council. A minute ago, we were talking about the Argyll islands, and there are flights from Inverness to Stornoway, which are supported not by a local authority but by other means. Would not it be better to have everything in one basket? Stuart Black and Tom Matthew might want to comment on that. Rather than having offers for individual parcels, should not there be an overall contract for the whole Highlands and Islands network?

Jim Cameron: Loganair believes that PSOs should work where there is no commercial business case to operate a route. Where an operator is willing to take a commercial risk to operate and provide a service that meets the community's needs, I do not see why the route should not be operated in that way.

Maureen Macmillan: Yes, but I am anxious that everything is fragmented at the moment.

Jim Cameron: It is not fragmented from the customer's perspective. The customer is able to book services, whether they are PSO services or Loganair's commercial-risk services, through the British Airways franchise and its worldwide reservation service. Someone can make a booking—not just in the UK, but anywhere in the world—for an entire journey and they do not have to think about who runs the service. The booking process is simple and easy for the customer.

Maureen Macmillan: Might not it be more cost-effective for the subsidising organisation to operate with a wider remit than local authorities have?

Jim Cameron: If you are talking about the separate PSOs, that may be a different way of considering the situation. However, because the internal routes that are supported by Orkney Islands Council, Shetland Islands Council and the Scottish Executive are completely different types of operations, it would be difficult to put them out as one PSO or one tender.

Maureen Macmillan: That is what I wanted to know. Thanks.

Robin Harper: Tom Matthew mentioned Campbeltown, which I have visited for various reasons. Do the recent developments there mean that Campbeltown is beginning to have an economic future? Is there a chicken-and-egg, push-pull situation, such that there is a case for increasing the number of services and increasing the subsidy on that route? In the future, the need for a subsidy might be overtaken by economic development, but might the current pretty minimal and very expensive service hold back, or at least not encourage, Campbeltown's economic development?

Jim Cameron: A twice-daily service is a reasonable service compared with not having a twice-daily service. The Scottish Executive sets the fares, but we have a range of fares that are lower. In 1995, before the Royal Air Force withdrew in 1997, we carried 12,000 passengers on the Campbeltown route. At that time, Loganair flew the route at its own commercial risk. We currently carry about 8,000 passengers and the numbers are fairly stable. Obviously, if there was any increase in the carriage, we might reconsider the route.

Fiona McLeod: My question is for all the witnesses. The aspiration of Highlands and Islands Enterprise is for a great expansion in air services. Can the environmental impact of that be reconciled with our climate change commitment?

Jim Cameron: The environmental impact of an 18-seater twin otter flying for 45 minutes between Glasgow and Campbeltown is an awful lot less than the impact of 18 cars travelling the same journey.

Fiona McLeod: Can that be quantified?

Jim Cameron: It could probably be easily quantified, but I do not have the figures.

The Convener: I think that Maureen Macmillan put that question to the representatives from Highlands and Islands Enterprise, so we already have their answer.

That brings us to the end of our questions for this panel of witnesses. I thank Jim Cameron, Stuart Black and Tom Matthew for their evidence.

I now welcome Liz Cameron, who is from the Scottish Chambers of Commerce, and Matthew Farrow and Bob Armstrong, who are from the Confederation of British Industry Scotland. I apologise if we have overrun, but that is a consequence of the seriousness of the issue that we are investigating. Many avenues open up in the evidence that people give.

I will open up the debate. My question is for all three witnesses. For each of the questions that we put, perhaps you could indicate who will answer first. From the business perspective, what are the key contributions that transport makes to economic competitiveness and growth? What role does transport play in influencing firm location among individual businesses?

Liz Cameron (Scottish Chambers of Commerce): Thank you for giving me the opportunity to speak to the committee this morning. We are debating the funding that is available and how we should spend it. We are all aware that there are constraints on funding. The Scottish Chambers of Commerce regard transport as a key delivery mechanism for achieving the Scottish Executive's targets on social inclusion, economic development and investment in Scotland. We talk about having a competitive Scotland, but it is clear that transport is massively underfunded and that we need a vision for the next 20 years.

All of us, regardless of party, know that there has been a history of underinvestment in transport. We plead with the committee to develop a clear, strong, 20-year vision for transport. Members will think that it is fine for me to say that, but such a vision must be paid for. I ask the committee not to be constrained by funding mechanisms.

Investment around Scotland is declining because we cannot get skilled people into jobs. We could have an unemployment rate of between 5 and 7 per cent, but we are unable to transport people to the factories and offices where jobs exist. I will not repeat what has already been said this morning, but public transport is critical to getting people into businesses. Unless we get the transport infrastructure right, we will fail to secure inward investment or investment from within the UK and Scotland. Investors will walk away.

Reference has been made to exporting. Recently, I carried out an analysis of job losses in two key electronic industries in Scotland. I was trying to ascertain how we can add value to those businesses in order to keep them here. The issue is also being debated elsewhere. Over 10 product lines and two industries, one of the advantages that we had was transport costs. Although we cannot and should not compete with countries such as the Czech Republic on hourly labour rates, our competitors' transport costs are high. It is expensive for them to get goods back to Scotland.

We need to think more innovatively about our competitive advantages. We will not get anywhere if we fail to focus on transport costs and our transport infrastructure. We must invest. At the moment we are struggling—Scottish trains are struggling, and the Parliament is struggling to decide whether the M70 should get priority over projects in Aberdeen and Grampian. I would like the committee to focus on developing a 20-year

vision. We welcome the worthwhile projects that are under way, such as the M74 extension, although we feel that they should be completed more quickly.

We need to debate in partnership how we can increase the budget for transport. If we fail to do that, in two or five years' time we will be having a different debate. There will be massive job losses and we will not achieve our targets on social inclusion and investment. Budget spending on transport must be increased massively.

Let us debate where that spending should come from. Would the private sector pay? We have touched on tolls and Des McNulty asked whether the private sector would be prepared to pay them. It would, provided that the resulting revenue was invested directly in our strategic road, rail and public transport network. Like the committee, chambers of commerce throughout Scotland are debating congestion charging. Where congestion exists and adds cost to our businesses, we can make a commercial case for congestion charging.

Transport makes a critical contribution to the economy. It is underfunded, which may lead to job losses and may cause businesses to move elsewhere. We must become more visionary and transport is the key. The Transport and the Environment Committee must drive forward Scotland's agenda.

13:00

Bob Armstrong (Confederation of British Industry Scotland): I listened to the earlier discussion about whether there is a proven link between economic development and transport infrastructure and I have to say that I thought that the argument had been won some years ago. If the committee asked our members what difficulty they put at the top of their agenda, the answer would be transport of goods and freight. They are quite clear that the reliability of the transport infrastructure has a major economic impact—for good or ill.

Reliability is as important as capability and capacity on our road and rail networks. If someone sends out goods and encounters a delay one day, do they add that delay to the next day's schedule, or do they assume that they will not encounter that delay the next day? When reliability is poor, productivity is lower, because delays have to be scheduled into journey times. There is no doubt that good transport links enhance business and we believe that that has substantial economic benefits.

The Convener: I am sure that most members of the committee would agree with the comments that Liz Cameron and Bob Armstrong have made about the importance of transport to business and the need for us to consider such issues not just in a one or three-year time frame, but in the much longer term.

I want to talk about specific priorities, because whatever the time frame, Government is about delivering on priorities. Not every transport project that has been identified will be delivered. In which particular areas should transport policy in Scotland be developed to support the growth of business and the economy?

Bob Armstrong: Members will have read the CBI submission, which is fairly detailed on what we consider to be the top priorities for Scottish transport spending. The trunk road network figures largest in that. We share the view of the SCDI on the improvements that should be made to the network. We must bear in mind improvements in England. People use Hull or even the south coast ports for exports from Scotland not for no reason; they do it because that is the best way to get their goods to market. The trunk road network is the prime way of doing that.

I agree with David Spaven that there is scope for improvement in the rail freight network. However, even if rail freight doubled, it would still be a small proportion of the total freight that moves around. The trunk road network is vital, particularly the A8 and A80. The A80 serves part of the central belt as well as the north-east and the Highlands. We would like to see improvements to the west coast main line. Currently there is problem because it is impossible to get 9ft 6in containers down the west coast main line. Freightline International, for example, dispatches about 20 to 25 per cent of its freight—mainly whisky—in 9ft 6in containers. Year by year, the whole industry is moving from 9ft containers to 9ft 6in containers, and so eventually 100 per cent of that business will be carried by road rather than rail.

We are very concerned about the state of the local road network. If we are to believe the evidence from the Convention of Scottish Local Authorities and the Society of Chief Officers of Transport in Scotland, the backlog in local road maintenance amounts to between £1 billion and £1.5 billion.

Liz Cameron: I echo those comments. Our priority is the road network because that is what the majority of our members use to move their goods and services around. I mentioned the M74 and the decision by the Scottish Parliament to fund that road is most welcome. The M74 was the focus of consensus in the Scottish Chambers of Commerce and we are delighted that that project is on the table.

We urge the Scottish Executive to progress the M74 faster than planned, otherwise businesses will be lost in the west of Scotland. We were

already 10 years behind when the five-year plan started. Efficiency gains should be considered to complete the road network earlier.

I understand that the report of the corridor study is to be published this week. A lot of energy and time has been spent on economic reports and studies. Although such reports are valuable, there should be a greater sense of urgency and critical analysis. We want clearly defined actions with measurable outcomes from the corridor study report.

The rail network is also important. It should be combined with other forms of public transport. The report on integration has been mentioned. Integration must be a priority, although our first priority should be the road network. We must get that right if we are to be a really competitive nation. The integration of rail and bus transport is the second priority. Studies are being done on through ticketing for the general public and business users who move between the ferry, rail and bus networks. It is not beyond our technology to introduce such a scheme in three or six months. The studies have been continuing for more than 12 months. We are trying to reduce congestion—which will enable business users to move faster—but we cannot do that in total isolation from developing public transport systems. We must make it easier for the general public—we are all part of that group—to move more efficiently between the ferry, bus and rail networks in all parts of Scotland. I ask for more focus on practical issues.

Before I am cut off, I want to mention a practical issue related to Traveline Scotland and Transport Direct, which are mentioned in the transport delivery report. I thought the service sounded wonderful until I made a few phone calls to discover whether it works. According to the report, the standard of information that is provided to customers is good and is getting better, but that is only true if all companies contribute to the information process. When members of the public want to find out about bus services, they find only what is presented to them. A large amount of information about public bus services is missing.

If I use the term mandatory, everyone will throw up their hands in horror—especially the representatives of CBI Scotland—but it should be a condition of grants or licences for private sector bus services that they must provide information to the general public through one source, whether it is Traveline Scotland or Transport Direct. It should be mandatory for all bodies that are involved to input travel information, so that the general public will be encouraged and will start to use the service, which will ease congestion on the roads.

Fiona McLeod: Bob Armstrong said that there are problems with train tracks and the size of bridges, but he mentioned that his industry is moving from 9ft to 9ft 6in containers, which will definitely not go through the tunnels. Why is that happening?

Bob Armstrong: It is the European standard size.

Fiona McLeod: So the size is to facilitate transport when the containers have left the south coast of England. They will be able to go anywhere on the rail network, except on ours.

Bob Armstrong: The United Kingdom suffers from having the world's first railway, which was built to a different standard—in terms of bridge heights and platform widths—than that of railways that were built later. During the past several decades, more resources could have been ploughed into the system to bring it up to date, but because we have not done that, we are left with technical difficulties in moving freight. The size to which we are changing is not only a European standard, but a worldwide one.

Most containers go on deep-sea ships. Ships are getting bigger and the capacities that are being used are getting bigger. We are a victim of that, because we are not capable of handling that capacity.

Fiona McLeod: Does that have an impact on imports as well? I presume that containers are coming into the UK that have to be changed, or are they just loaded on to a lorry?

Bob Armstrong: They are put on lorries, so they get back okay. The curious thing about Scottish freight transport is that we export more containers than we import—although we start to bring the empty boxes back—but with general cargo, such as foodstuffs coming from England, we import more than we export. There is a mismatch of equipment.

Maureen Macmillan: One of our main industries is tourism. Everything that you have said so far has been based on freight and getting it up and down the country. You have not said anything about airlines. Obviously, the tourism industry depends more and more on people flying into Scotland and flying up from London. A particular issue in the north is the Gatwick-Inverness link, which is under threat. We are anxious to retain it. What priority do you place on air traffic?

Matthew Farrow (Confederation of British Industry Scotland): Before I answer, I would like to add one thing to Bob Armstrong's comments about trunk roads. Trunk roads are the key priority, along with spending on local roads, which benefits tourists. Nobody wants to go on holiday to a city that is gridlocked and in which they cannot get around. In addition to the priorities that Bob Armstrong outlined, I add Edinburgh public

transport. CBI members in Edinburgh are concerned about the labour market in Edinburgh and the congestion that stops people getting to work easily.

In terms of tourism and direct air links, tourism is a significant industry, for certain parts of Scotland in particular. It is also labour intensive, so it is good for employment creation. In the report "The Scottish Transport Delivery Plan: What business wants", we make the point that regulation of aviation policy takes place at a UK level, but we make suggestions about the roles of VisitScotland, the airport operators and the airlines, which could work together to boost the market for inbound tourism to Scotland.

Liz Cameron: The issue is not just tourism—which we missed—but connectivity, and getting our business people and our customers in and out of our airports. It is about being connected in a global marketplace. We have some major airports in Scotland. We have been told that the operators are not attracted to direct flights to Scotland because of costs and various other factors, such as demand in the marketplace. The Scottish Chambers of Commerce believes that we need to help to create that demand in order to make it commercially viable for the airline operators to come into Scotland, because if we do not take a more proactive approach—

Maureen Macmillan: It is a chicken-and-egg situation.

Liz Cameron: It really is. The airline operators have a perfectly good commercial case to make as to why it is not cost-effective for them to fly directly to Scottish airports. I am sure that BAA would have another view on that. I agree with the CBI on this issue. VisitScotland and other organisations could work together. Given the creativity that we have in Scotland, it should not be beyond our means to work alongside those organisations and focus on creating demand. Once we create the demand—and we can do it—the airline operators will follow. I do not doubt that.

The Convener: The last question that I want to ask—I will then hand over to other committee members—concerns the CBI document "The Scottish Transport Delivery Plan: What business wants", which was published prior to publication of the Executive's transport delivery report.

First, how does the transport delivery report match up to the CBI's priorities? Secondly, I wish to explore funding. I hear clearly the demand for greater transport expenditure. There are several ways in which that could be funded: alternative prioritisation within existing budgets; increased levels of taxation, in one way or another; and congestion charges, road tolls and so on. I want to hear more about business's answer to the question of raising the resources to invest in transport. Would it mean alternative priorities in existing spend?

Bob Armstrong: I heard the earlier discussion about how to raise funds for transport spending. I agree with Liz Cameron. You have to set out your stall. We have tried. I am not saying that our document is perfect, or that the figures are 100 per cent accurate. We have made a genuine attempt to say, in consultation with our members, "Those are our priorities. That is what the members want. How much will it cost? What is the gap between what is being spent now and what we would like to be spent?"

13:15

You then arrive at the question of how that difference is funded. The figures that we are arguing for are not double what the Executive is spending; they do not represent a huge quantum leap. They can be funded. They are probably less of a quantum leap than the figures in the Department of Transport, Local Government and Regions 10-year plan. We believe that, with a variety of new funding streams, the funds could be found to enact the plan.

The transport delivery report is quite far short of what the CBI is asking for in its document. We are quite pleased with a lot that is in the report—there are some very good projects. However, it lacks the long-term vision that we are advocating. A project-driven approach is fine, provided that you have a long-term blueprint and know where you are going to get eventually. That is lacking in transport planning.

Matthew Farrow: I support some of that. The overall objective that is set out in the transport delivery plan or report—whatever they called it in the end—was about trying to stabilise congestion in the cities. Although the plan lacks a detailed vision, that is a reasonable starting point.

The convener asked about the projects that are set out in the transport delivery plan. There are areas in which there are gaps compared with our suggestions. On trunk roads, there is slightly vague wording in the report about action being needed on the missing links; the document says that the Executive will consider them. We are saying that those missing links are urgent priorities for business. Even if decisions are taken this week, it will be years before those links are up and running. We need action and firm commitments as quickly as possible.

There is a major gap in the views on local roads. As Bob Armstrong, Liz Cameron and others have said, business is deeply concerned about the £1 billion backlog on local road repairs. In the DTLR 10-year plan, there is a commitment to end that

backlog over 10 years. The DTLR has said that it will put in resources to end that backlog. We are concerned that the Executive's plan makes barely any mention of that. However, we would support a number of the key projects, such as Edinburgh public transport and the Waverley station upgrade.

On spending, we have tried to answer the challenge that was set to the other witnesses—what are your priorities? How much will they cost? Where will the money come from? It is clear that transport did not do well in Scotland in previous spending reviews. As the Executive's total budget grows, we believe that we should put a strong case for an increasing slice of that budget to be given to transport.

Our figures do not include any money that would be raised through local road pricing. We accept that local road pricing can be an answer in certain circumstances. That would be additional money.

As a last resort, we would consider whether we could support the case for trunk road tolls, specifically to build some of the upgrades that we are calling for. The money is not unreachable in terms of Executive resources, but we would consider supporting trunk road tolls as a last resort.

The Convener: Does Liz Cameron want to respond to those questions?

Liz Cameron: No. I would just be adding to what the CBI has said, and I will not waste your time by doing so.

John Scott: What is your view of the First Minister's announcement that all the consequentials arising from the UK budget will be allocated to health in Scotland? Where does that leave funding for projects that were identified in the transport delivery report, never mind the projects that were listed in the CBI's document? Was that a mistake?

Bob Armstrong: That is a political question, which we do not really want to get into. It is for the Executive to decide how it spends the resources that are made available to the chancellor.

All that we would do is continue to fight our corner—we think that transport spending should be increased. We are not here to gainsay the Executive's decisions. We are here to lobby on behalf of our members and to give a clear view.

Matthew Farrow: I would go a fraction further, because perhaps there is a process issue. The transport delivery report says that the current spending review—towards which the work of the committee is obviously going—is the time for decisions on what funding should go to transport. However, we feel that it would have been more helpful if, instead of instantly announcing that the extra money from the budget would go to health, some discussion had taken place on the best course of action.

As Bob Armstrong said, the decision was political. However, given that health spending is already high in Scotland, other priorities could have been considered. We feel that the process of arriving at a decision could have been better.

The Convener: Another part of the backdrop is that the chancellor is undertaking a further spending review. We will hear the details of that by the summer.

I had expected Fiona McLeod to ask the question that John Scott has just asked. She is very upset that he stole the limelight.

Fiona McLeod: Not in the slightest.

The witnesses have made it clear that they think that transport needs not just more money, but a lot more money and that it needs to be given higher priority by this Government. You have made good economic and social arguments, and have spoken about social inclusion and getting folk into jobs. How do you balance those arguments against the environmental arguments? The trunk road network is your top priority, but car emissions will contribute to climate change in Scotland.

Bob Armstrong: I listened with interest to TRANSform Scotland's evidence. It is true that, more often than not, building more roads generates more traffic, but that is hardly surprising. You do not build more road capacity and expect it not to be used—it is because you expect it to be used that you build it in the first place.

To balance the arguments, we would have to say that it is equally true that the most polluting vehicle is the stationary vehicle. If you keep vehicles moving, you reduce pollution. It is also true that whether or not new roads fill up with traffic depends on the extent of latent demand for them. The M25 ring round London filled up within months of being completed because of huge latent demand, whereas we in Scotland have had the M9 between Stirling and Newbridge for the past 20 years and it has not been near capacity once, because not enough people want to travel between Edinburgh and Stirling by road. The flippant answer to solving congestion is to build roads to places that people do not want to go to. Roads do not always fill up with traffic and cause more pollution.

Not enough has been made of the fact that vehicle emissions are reducing substantially year by year. Particulates from diesel engines are at 1 per cent of their level 10 years ago. The president of the Ford Motor Company actually said that, at the present rate of progress, exhaust fumes will eventually be cleaner than the air that goes in at

the front. I do not know whether that is true, but there will certainly come a time when we will have to stop linking pollution and congestion in the same sentence like ham and eggs or fish and chips. We will still have congestion problems, but the pollution will be very much less.

The Convener: You have spoken about pollution caused by particulates, but what about the environmental impact of CO_2 emissions from motor vehicles?

Bob Armstrong: Ultimately, the only answer to that will be to reduce car use by some mechanism or other, which is why improvements in public transport are important. We should try to avoid polarising the debate into one between demand management and extra capacity. The two are not mutually exclusive. We ought to be doing both. Strenuous efforts ought to be made to encourage people not to use their cars when practical alternatives exist.

Unfortunately, there is a chemical dilemma: the more you reduce pollutants at the local level, the more CO_2 you tend to produce, which has global effects. It is one of those dichotomies.

Des McNulty: The earlier discussion raises the issue of how we can measure outcomes in order to decide what strategies to adopt or what interventions to make.

A number of people have said that our way of doing that has been poor because we have concentrated on broadbrush economic advantages and reducing congestion without being particularly clear about what we are actually doing. Do we need to consider the issues in different ways? Should we think about congestion not so much in terms of CO_2 or pollution, but in terms of rate of traffic flow in particular areas?

The point that you just made in relation to the transport investment strategy was that—in the areas of Scotland where it is practical—we need to build practical alternatives to the car to ensure that people do not use their cars as frequently. Do we need to be harder about the measures that we use and clearer about the targets that we are trying to get to? Should we try to fit more closely with the flow of what people do, rather than having general ideas that turn out not to be worth much? We could probably have predicted latent demand for the M25, for instance, but I doubt that it was taken into account.

Matthew Farrow: You are right. In our report, we tried to make a case for having more specific targets and a better distinction between the ends and the means. We alluded to targets such as reliability of journeys and journey time, which are important from the point of view of business. To be fair to the Scottish Executive—as I am sure we would all want to be—the transport delivery report contains a broadbrush overall target, which is to stabilise traffic congestion at current levels in cities, rather than in Scotland as a whole. That is a good starting point. The report also says that each local authority has a range of more detailed targets and that the Scottish Executive wants to work with local authorities over the next six to eight months to help them develop specific, evidence-based targets. That seems to be reasonable.

The Executive should be given credit for the Scottish transport appraisal guidance—often known as STAG—which is an attempt to put in place a more sophisticated approach to the appraisal of major schemes. Initiatives such as the multimodal studies for the central Scotland corridor, which includes the M74, the M8, the A8, the M80 and the A80, have involved pretty detailed work on road use by individuals and business compared with rail options and other factors.

I agree with the point that you make and believe that progress towards what you discuss is being made.

Des McNulty: The committee discussed STAG at a meeting a while ago. Having listened to the account that was given by the civil servants, I believe that STAG is good at working with a particular project and ensuring that the project is assessed against a vast variety of criteria. However, the measurement aspects are quite poor and do not give an adequate basis for analogous comparisons to be made between projects. The measurements concerned apples and pears and were not particularly robust.

For example, in the north-east, great play is made about the congestion problems of Aberdeen but when you try to find out what is meant by that and what criteria have been used to study the matter, the information becomes less convincing. There are issues about whether the process that we are going through is a good way in which to make decisions between projects, or whether it is a mechanism that requires all projects to have a fairly general assessment against a range of criteria that apply to them all and do not have a purchase on how allocative decisions are made.

13:30

Bob Armstrong: I do not think that any appraisal system will be a substitute for political decision making. You use the process, which gives you some indications, but you have to weigh those up against other indications. For example, although it may be appropriate to measure vehicle flow and traffic volume in big cities, the journey time to work on the A9 north of Inverness may be more important than the volume of traffic on that road. The different factors must be weighed up.

We have criticised STAG, to some extent, as it values various different vehicle types according to the wages that are paid to the driver. For example, a highly paid executive in a company car is of more value in the STAG process than a lorry laden with £500,000 of computers for export. We regard that as nonsense.

Liz Cameron: We are looking at a process. You mentioned the point about what we are setting out to achieve—whether it is economic impact, a faster flow of goods to market, or a safety aspect. The measurements could be very different. We seem to be adopting a generalist approach to everything with regard to transport, and that is not helpful.

The Convener: I ask Des McNulty to be brief.

Des McNulty: I will be brief.

I wonder whether everybody feels comfortable with the process. You come along with a long shopping list and say, "These are the kinds of things that we want," but you cannot reduce that list to five things that you want more than the others, so you have to say hard things to some of your members in other areas. Equally, the process does not force the Executive to do the same kind of thing. None of us ever gets around to saying, "These are the facts. Those are the criteria. This is how different projects match up against the criteria, and that is the basis on which we are going to make the decision." Stephen Glaister seemed to be saying that that is what we ought to move towards. I do not accept that it necessarily becomes a political decision. We can get further with the technical evaluation.

Bob Armstrong: We have no difficulty in telling you the top two or three priorities in our long shopping list. We can prioritise in that way and that is often done democratically. Of course, the democratic process is not necessarily totally objective, but we are listening to the views of our members and passing them on.

In our report, we have attempted to provide a list of priorities, and we do not think that we have overdone it, regarding what we think is required. We have also tried to identify what the costs would be and what the funding mechanisms might be. It is a genuine attempt, although it is not perfect.

Matthew Farrow: I raise a point of detail to address your question directly. On page 5 of our document, we talk about the key trunk road projects that we regard as important. We went back to the Executive's strategic roads review—which tried to do some fairly complex modelling about the economic value of journey time saved, and so on—and came up with net present values for each of the schemes. The key schemes that are important to our members and to us have huge NPVs of hundreds of millions of pounds. Surely, any logical, long-term approach to transport in Scotland would say that any scheme that has an NPV of more than £100 million on the Executive's modelling—a figure that we suggested—should be at the front of the queue.

As Bob Armstrong said, ultimately, politicians have to judge according to broader factors rather than the pure economics. However, we tried hard in our report to identify the key projects for business and the Executive's figures, which allow judgments to be made about the criteria. We would support an Executive policy that took that approach.

The Convener: That brings us to the end of our questions. I thank Matthew Farrow, Bob Armstrong and Liz Cameron for participating in today's evidence-taking session. After collating all the evidence that we have received during this inquiry, I will be ready to write a PhD thesis on the subject. Austin Smyth said that to me earlier. Given that he is a professor in the subject, I might have a good chance of passing.

That brings us to the end of the public part of our meeting. I thank members of the press and public who have listened to our proceedings.

13:33

Meeting continued in private until 13:37.

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