

# **TRANSPORT AND THE ENVIRONMENT COMMITTEE**

Wednesday 5 June 2002  
*(Morning)*

Session 1

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## TRANSPORT AND THE ENVIRONMENT COMMITTEE

18<sup>th</sup> 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)

### COMMITTEE SUBSTITUTES

Bruce Crawford (Mid Scotland and Fife) (SNP)  
David Mundell (South of Scotland) (Con)  
Iain Smith (North-East Fife) (LD)

\*attended

### WITNESSES

Iain Docherty (University of Glasgow)  
John McCormick (Scottish Association for Public Transport)  
Lewis Macdonald (Deputy Minister for Enterprise, Transport and Lifelong Learning)  
Austin Smyth (Napier University)  
Bill Ure (Rail Passengers Committee Scotland)

### CLERK TO THE COMMITTEE

Callum Thomson

### ACTING SENIOR ASSISTANT CLERK

Alastair Macfie

### ACTING ASSISTANT CLERK

Rosalind Wheeler

### LOCATION

Committee Room 1



## Scottish Parliament

### Transport and the Environment Committee

Wednesday 5 June 2002

(Morning)

[THE CONVENER opened the meeting in private at 09:36]

09:48

*Meeting continued in public.*

**The Convener (Bristow Muldoon):** I welcome the minister and the members of the press and public to today's meeting of the Transport and the Environment Committee.

### Item in Private

**The Convener:** First, we must deal quickly with agenda item 2, which is to decide whether to take agenda item 6 in private. Item 6 is consideration of a draft report for the second phase of our inquiry into aquaculture. Is it agreed that we consider that in private?

**Members indicated agreement.**

**The Convener:** Furthermore, at tomorrow's meeting we will consider lines of questioning for the witnesses who will appear before us for our rail inquiry. I ask that we deal with that item in private. Is that agreed?

**Members indicated agreement.**

## Subordinate Legislation

### Draft Undertaking by the Scottish Ministers with the Consent of Northlink Orkney and Shetland Ferries Ltd (SE 2002/97)

**The Convener:** Agenda item 3 is an instrument of subordinate legislation subject to the affirmative procedure. We welcome Lewis Macdonald MSP, the Deputy Minister for Enterprise, Transport and Lifelong Learning, and David Hart and Jim Logie, who are from the Scottish Executive.

The draft Undertaking by the Scottish Ministers with the Consent of Northlink Orkney and Shetland Ferries Ltd (SE 2002/97) has been made under the affirmative procedure, so the Parliament must approve the instrument before its provisions come into force. Prior to our debating the motion that the minister will move, the minister may make some introductory remarks, after which members will have the opportunity to ask any questions of clarification.

**The Deputy Minister for Enterprise, Transport and Lifelong Learning (Lewis Macdonald):** Before we began this morning, I established with colleagues that this is, as I suspected, an unusual procedure. We require the approval of Parliament, by an affirmative resolution, to proceed with a commercial undertaking.

However, this is not the only such undertaking to have come before the committee. Members who were here in December 2000 will recall supporting a parallel undertaking to NorthLink Orkney and Shetland Ferries Ltd in relation to the passenger and accompanied cars lifeline ferry service. We come back today with a separate undertaking, again to NorthLink, but on a different matter. The difference is that the undertaking of December 2000 covered only the block subsidy payable in respect of that passenger and accompanied cars services contract. That undertaking, approved by this committee at that time, does not extend to the transport of livestock for the simple reason that the transport of livestock lies outwith the subsidy contract.

Under the tariff rebate subsidy scheme, we have arrangements to support the transport of livestock and freight in the Highlands and Islands. The undertaking that is before the committee today will enable NorthLink to claim subsidy under that scheme for the carriage of livestock from the northern isles.

The tariff rebate subsidy—TRS—was established in 1981. It is paid directly to a number of eligible shipping operators and enables them to reduce their charges. We agree with the operators a percentage by which they will reduce their

charges and we then provide compensation for that lost income through the TRS. Payment of that subsidy is intended to assist economic development in the Highlands and Islands, by maintaining freight and livestock rates at an affordable level. However, the Highlands and Islands Shipping Services Act 1960 provides that any grant under the subsidy scheme of more than £10,000 in aggregate may be paid only in accordance with an undertaking, of which a draft has been laid before Parliament and approved by a resolution. That is what we are about today.

As members can see, the undertaking sets out the basic terms under which the grant is paid. The actual detail of the grant payments will be set out in an annual operations letter to each of the shipping operators with which we have an undertaking. That letter will cover the period for which the grant is paid, the terms and conditions under which it is paid and the rate at which it is paid. However, the undertaking provides the essential framework.

Initially, the rates of subsidy were established on the basis of discussion with the relevant local authorities. However, the rates have moved over the years and it is fair to say that the rates of support for livestock transport from the northern isles are fairly high—they reflect some of the costs that impact on the agriculture industry.

P&O Scottish Ferries has an undertaking dating back to 1984, under which it claims TRS for the livestock that it carries. Other shipping operators in the northern isles have received TRS in the past, but P&O is the only shipping operator in the northern isles that currently claims TRS for livestock. The terms of the undertaking to NorthLink that is before members today are no different from those that apply to previous such undertakings—except that some of the language may be rather more up to date than that of earlier undertakings.

NorthLink has a new method of carrying livestock. The company has obtained a dedicated freight and livestock vessel, MV Hascosay. The vessel has been specially adapted to carry on its lower deck specialised livestock cassettes that are being developed by the Scottish Agricultural College. Adaptation of the ship was required because the cassettes are provided with watering, lighting and ventilation systems that are wired in to the vessel. We expect that the use of the cassettes will allow the anticipated annual volume of livestock shipment to be carried on that vessel alone, so that there will no longer be a requirement—as there has been up to and including this year—for additional chartering in the peak season.

The cassettes are being designed to comply with the relevant health and safety, environmental

pollution and animal welfare legislation. They may even anticipate future developments in the industry. We certainly agree that they represent the future for livestock carriage in the northern isles.

The undertaking is a necessary part of the arrangements that must be put in place before NorthLink can receive subsidy for the transport of livestock from Orkney and Shetland. Because of the complexity of the preliminary arrangements, the introduction of the service has been delayed until 1 November. P&O will continue to provide a conventional livestock carriage service until the end of October. We are keen to press on and put the service in place at that point. I hope that that explains the technical background to the instrument.

**Maureen Macmillan (Highlands and Islands) (Lab):** Is the tariff rebate subsidy for livestock only, or is it for freight in general?

**Lewis Macdonald:** It is a livestock undertaking.

**Maureen Macmillan:** When will the cassettes be ready?

**Lewis Macdonald:** The intention is that the Hascosay, using the cassettes, will take over the transport of livestock from 1 November. That is the arrangement that has been agreed with both companies.

**Maureen Macmillan:** Will there be a gap in provision?

**Lewis Macdonald:** Not at all. The passenger and accompanied cars subsidy, which, as I explained, is a separate entity, will be taken over by NorthLink on 1 October. As the peak for livestock carriage is September and October, it was agreed that introducing the new livestock carriage method on 1 November would enable P&O to deal with the peak under the current system and for NorthLink to take over at a less busy time.

**Maureen Macmillan:** I presume that livestock does not cover dead stock, such as harvested salmon?

**Lewis Macdonald:** That is correct.

**Nora Radcliffe (Gordon) (LD):** I notice that P&O and Streamline have concurrent undertakings at the moment. Presumably, this undertaking would not preclude another operator on the same route being given similar grant assistance?

**Lewis Macdonald:** Not at all. The cassette system will be owned and operated by Orkney Auction Mart, which will let out to any operator cassettes for carrying livestock. NorthLink will shortly be in a position to do that, but there is nothing to prevent another company approaching

us to use a current undertaking for the same form of livestock carriage or to seek a new undertaking for payment of subsidy.

**Nora Radcliffe:** Would they have to use the cassette system?

**Lewis Macdonald:** No.

**John Scott (Ayr) (Con):** Could you explain briefly what the cassette system is?

**Lewis Macdonald:** It is a system that allows animals to be transported in such a way that the time in which they are on board ship in the cassettes is not counted as time on the road.

**John Scott:** It is a rest period.

**Lewis Macdonald:** The layerage, ventilation, watering and feeding are all of such a standard that they meet European requirements.

**John Scott:** Until 1 November, through the summer season, are the animals and therefore their owners being disadvantaged?

**Lewis Macdonald:** Not in any sense relative to the situation in the past. Cassettes perhaps offer a new and higher standard. That is why we are keen for them to be introduced quickly and efficiently. However, the service that P&O will continue to operate between now and 1 November will be similar to the service that it has operated in the past year.

**Robin Harper (Lothians) (Green):** Do you have figures for the eventual destinations of the livestock after it has been transported to the mainland?

**Lewis Macdonald:** Not precisely. The main market for Orkney and Shetland livestock is likely to continue to be Thainstone mart in Aberdeenshire—that is where most of the beasts are sold. There is an expectation that fewer animals will be transferred via the Pentland firth crossing to Scrabster than in the past and that more will go to Aberdeen. That will be a matter for the operators to judge.

*Motion moved,*

That the Transport and the Environment Committee, in consideration of the draft Undertaking by the Scottish Ministers with the Consent of Northlink Orkney and Shetland Ferries Ltd (SE 2002/97), recommends that the draft Undertaking be approved.—[*Lewis Macdonald.*]

*Motion agreed to.*

**The Convener:** I thank the minister, Jim Logie and David Hart for their attendance.

10:00

*Meeting suspended.*

10:05

*On resuming—*

## Rail Inquiry

**The Convener:** I welcome Professor Austin Smyth of Napier University and Dr Iain Docherty of the University of Glasgow to give evidence in our rail inquiry. Both witnesses are well known to the committee. Professor Smyth was an adviser last year and this year for our budget reports and Dr Docherty gave evidence to the committee as part of this year's budget process. I understand that Iain Docherty will give a short introduction.

**Iain Docherty (University of Glasgow):** I thank the committee for the invitation to give evidence again. My opening remarks will be brief and I will reinforce what I said when I last gave evidence. I represent the University of Glasgow. Some of the points that I will make are the outcome of three or four years of sustained research as part of several teams that have examined urban competitiveness and the role of infrastructure and other assets in the Scottish economy.

**The Convener:** We will address our first few questions to Austin Smyth.

**John Scott:** From your experience of Northern Ireland, would rail autonomy for Scotland, in a UK-wide framework that applied to safety and state aid, have advantages?

**Austin Smyth (Napier University):** The answer to that question is not black and white. I have worked with and for the railway system in Northern Ireland and I have worked on rail on behalf of the devolved Government there. On the positive side, decision making is much more streamlined. There is only one rail operator, one intermediary holding company, which is publicly owned, and one Government department. That is all that is involved in decision making about rail.

On the other hand, rail in Northern Ireland has suffered greatly from underinvestment—even more so than in Scotland. The railway system is small and has contracted substantially from its peak. It lost more than 80 per cent of its track mileage during the 1950s and early 1960s and has a route network of only 300km. The system contributes only 1 per cent of passenger miles to overall travel demand in Northern Ireland, which is an area with 1.6 million people.

However, there are many similarities with Scotland. Many lines are rural. There are a few suburban railway lines in the Belfast area. The system requires subsidy to continue to operate, but the subsidy per passenger mile is roughly a quarter of the amount that is paid to Scotland. That could be laid at the door of previous



Administrations. Even throughout the direct rule period, railways have always been a devolved matter in Northern Ireland.

However, that raises questions about the ability to attribute public sector funding to public transport. Recently, we experienced a major crisis in the railway system. In 2000, the railway system was under direct rule control. An appointed minister—ironically from the central belt of Scotland—decided that reinstating the network and dealing with the maintenance backlog was not worth it and that the system should be closed.

However, within weeks of that, the devolved government arrangements were established and the devolved Administration took a different view. It created a task force to examine the situation, the upshot of which was to establish first the need for the railway on social and environmental grounds, and secondly that the railway should be subject to the provision of new investment in rolling stock and track infrastructure. We have turned the corner. For the most part, that funding comes from public funds, which introduces complications. The primary point is that bringing decisions close to the people who are affected by them has transformed the situation from what it was before, when decisions were made remotely—in effect, they were made in London. I hope that that answers the question.

**John Scott:** I think so.

It has been suggested that the Strategic Rail Authority could become the Scottish Executive's agent for rail infrastructure and passenger franchising in Scotland or that a Strathclyde Passenger Transport-type structure could be applied to the whole of Scotland or to regional divisions within Scotland. What are your views on those suggestions and are they tempered by the Northern Ireland experience?

**Austin Smyth:** The crucial point to make about the railways in Great Britain is that much of what is being done seems to be being pursued to enable expenditure to be moved off the public expenditure balance sheet. That activity seems to drive many transport policy actions, but does not necessarily offer the best solution. I see no logical reason why track infrastructure, for instance, should not be the responsibility of a direct body based in Scotland, as that would be similar to the situation of the highway network.

If we look at the effect of the new draft guidance, everything seems to need to be shadowed: one body looks over the shoulder of the SRA or the SRA looks over the shoulder of the Scottish Executive. The greater the number of organisations involved in decision making, the more likely it is that that process will result in delay and extra cost.

The list of organisations involved in railway decision making in Scotland is long. The list includes the SRA, the Scottish Executive, SPT, the train operating companies, Railtrack, the Office of the Rail Regulator and the Health and Safety Executive. The list goes on ad nauseam. Given the number of players and stakeholders that are involved in decision making about the railways in Scotland, how will it ever be possible to achieve major advances? That question raises all sorts of doubt in my mind.

**John Scott:** If one follows through your argument, it would seem that a rationalisation of the bodies that govern the rail industry in Scotland is long overdue. Which bodies would you cut?

**Austin Smyth:** The question involves a sensitive subject. Which bodies should be cut depends on what will be the ultimate shape of the industry. Calls have been made for Scotland to have a vertically integrated railway system. I would contend that to run such an operation in the private sector would not be in the public interest unless major enhancements were made to the regulatory structure and to the way in which consumer interests are safeguarded.

In addition to that, there is the issue of how other train operating companies might be affected by one operator having control of the railway system. That said, I see no reason why it would not be possible for some sort of accountability to be achieved within the current arrangements for the Scottish interest. The system needs to be more integrated and one wonders if the present arrangements will lead to efficient delivery.

**Des McNulty (Clydebank and Milngavie) (Lab):** When we took evidence from representatives of the Strategic Rail Authority and the Office of the Rail Regulator—the ORR—a couple of weeks ago, I tried to get a clear picture of track access charges from them, but failed to get a coherent answer. Can you give us some advice on the lack of transparency in track access charges? Can you also advise us of the impact that that has on the development of the rail system and its financing structures? Perhaps you might differentiate between urban and rural track access charges and inform us of any lessons that can be learned from the Northern Ireland situation.

**Austin Smyth:** I studied at length and in detail the evidence that those bodies gave to the committee on that occasion. I found it impossible to discover what were the costs of operating railways in Scotland and how the track access charges were estimated. The variable costs that were identified, which were a minority of the overall costs, were apportioned on a per-train-mile basis.

It strikes me that that is a simplistic way of

looking at the matter and the ORR has indicated its willingness to review how track access charges are estimated or levied. In simple terms, a train with relatively light axle-loads that runs on a single track in a rural part of Scotland will have much less impact on the costs of maintaining the network than, for instance, a high-speed intercity service that operates over complex junctions with all sorts of associated maintenance liabilities. The current approach is rather simplistic, to say the least, and could be informed by the extensive research that has been carried out on the rail-wheel interface post Hatfield.

10:15

**Des McNulty:** With the impenetrable track access system that we have in Scotland, is there a risk that perverse incentives might emerge because of the gap between the mechanics of the funding regime and any rational system for managing our rail industry?

**Austin Smyth:** Are you asking whether it is likely that the railways will suddenly become financially viable?

**Des McNulty:** Well, no. I had the impression that the companies devise the track charges simply by holding a finger up in the air or perhaps using the wonderful Excel system, in which you start at the bottom and structure the various factors as you work your way up to the top. However, such charges are devised within an accounting rather than an engineering framework. Is there a risk that such a system could impact on engineering decisions about track development or track maintenance?

**Austin Smyth:** Undoubtedly, any inaccurate social or economic costs could well lead to wrong decisions about future investment or even about the maintenance of the existing system. We need greater integration of engineering know-how with the way in which costs are estimated and attributed to the system.

**Robin Harper:** You have essentially answered some of my questions. However, it would be interesting to find out whether we could learn any further lessons, particularly on getting better value for money and on future performance possibilities, from the operation of the railway system in Northern Ireland.

**Austin Smyth:** As I mentioned at the outset, the railway system in Northern Ireland is entirely subject to revenue support and therefore falls under the same legislation that governs subsidies in the rest of the UK. However, various schemes that have been implemented in the past couple of years would not have happened under the system that applies in Scotland. For example, the schemes to upgrade the main line between Belfast

and Dublin were subject to a cost-benefit analysis similar to that for road infrastructure investment.

In Scotland, the way in which rail costs are estimated is rather different from the way in which the costs and benefits of road investment are estimated. Such an approach results in decisions that are inconsistent, taking one mode with another, or that involve a retrospective re-examination of the rail industry's perspective on schemes. I note that some small examples of that have already been mentioned in evidence. For example, it has been suggested that the penalties associated with the performance effects arising from new stations should be set aside to get around the possible adverse effects of opening new rail facilities on existing operations. The very fact that that has happened says that there is something fundamentally wrong with the original basis on which those costs were estimated.

In Scotland, most of the system, if not all of it, is justified not on financial grounds, but on the ground of its contribution to the Scottish economy and on wider social and environmental objectives. On that basis, it is likely that a financial appraisal, with the sort of cost procedures that are applied to the railway system, will produce conflicting results. A reconciliation is then required to overcome that and to get an effective delivery of transport policy in Scotland.

**Robin Harper:** When a cost-benefit analysis was done for the Dublin to Belfast line, did that include environmental costs?

**Austin Smyth:** That analysis was undertaken in 1990, and the scheme took seven years from concept to fruition. The entire line was rebuilt, from the trackbed up, with new rolling stock and so on. The overall cost of the consultancy fees was less than £100,000, and the scheme ended up costing about £150 million. It has produced major increases in rail patronage and very high levels of passenger satisfaction. By and large, however, it employed the conventional social cost-benefit analysis that would ordinarily be applied to road investment.

**Nora Radcliffe:** My question is for Dr Docherty, as he has a specific interest in urban problems and city competitiveness. What role do railways play in responding to such problems, and what are your priorities for improvement in the rail industry?

**Iain Docherty:** The traditional role of railways, particularly from an urban perspective, is that they are an alternative to the road for the major peak-hour flows to and from the city centre. The morphology and geography of the railway system shows that it has evolved to be, and remains, clearly focused on shifting large numbers of people to the terminal stations in major centres. That is clearly rail transport's principal role. The

capacity of the railway mode is such that it can be an effective competitor or alternative to large-scale road building for that kind of movement.

More recently, particularly with the severe congestion problems in the south-east of England, which has the largest commuter rail network, the debate has become refocused. In the UK Government's 10-year transport plan, the role of railways as the alternative to large-scale road building and the only feasible environmentally sensitive means of moving large numbers of people in and out of London has been reinforced. In a Scottish context, it is probably fair to say that a similar system operates in Strathclyde. Glasgow is the city that is most dependent on rail of any in the UK outside London, so the picture is similar.

As cities become more competitive and as the economy becomes reurbanised—Glasgow and Edinburgh are both performing better than they have done in quite a while—it is important to see the role of the railway system from a different perspective, as part of the asset set that a city has to offer as it competes for employment, for income and for growth. One of the most important advantages of a large, reliable railway network is the reach that it gives a city in terms of its labour market or its retail catchment. The only Scottish example is probably Glasgow. It is clear that the city has benefited by becoming more attractive to inward investment and to growing indigenous companies because of its labour market reach. The retail sector is also a major example of how the city is made more attractive by the fact that people can access it easily for a range of functions.

The role of railways is becoming stronger and is likely to become more important as cities develop further and as the economy becomes more oriented around major cities than perhaps it has been over the past 30 years or so.

**Des McNulty:** In the condensed vision at the front of the transport delivery document, the Executive identifies congestion as its major focus and sets a target of stabilising road traffic at 2001 levels by 2021, thereby reversing a projected increase of 27 per cent. Will what the Executive projects to do in relation to rail contribute towards such objectives? How do you see the future of rail in the context of that vision? That is a big question.

**Iain Docherty:** It is difficult to see how investment in rail alone will make a large contribution to such objectives. In evidence that I gave previously, I said that national planning policies have not taken full account of the spatial structure of the economy—what Scotland looks like on the map. I do not think that there is sufficient integration between planning policies in the transport infrastructure that we have, and that we are likely to have, to try to reverse that.

I am not entirely sure about the focus of congestion, which seems to be the number one policy priority. Perhaps it is the number one priority because it is the most obvious manifestation of failure in the system to those who use the system every day. A focus on congestion might be too broad a brush without consideration of some form of road charging and making more economic use of the infrastructure that we have. There is not enough recognition of the different values of kinds of traffic that are on the road. Perhaps there will be a more sophisticated analysis in the central Scotland multimodal studies.

**Des McNulty:** I have problems as to how the Executive should seek to measure congestion—whether in terms of traffic flows, the number of cars on the road or urban pollution that is associated with congestion. In your written evidence, and particularly in relation to competitiveness, you seem to suggest that developing the umbilical links between Edinburgh and Glasgow is the top transport priority and that focusing on congestion should not be so central to the vision as it appears to be for the Executive. Is that a fair summary of what you are saying? Should we look more at economic and velocity issues in respect of how to interconnect Edinburgh and Glasgow and possibly the other cities in Scotland?

**Iain Docherty:** Matters are more complex than that, but your summary is fair. There is a general trend. Over perhaps the past 20 years, we have developed a mindset in the planning system in which we have become a little obsessed by the contribution of modern peripheral fringe development, from which the central belt of the Scottish economy has benefited—the kind of activity that one sees as one drives from one end of the M8 to the other. Such activity is car dependent and my reading of economic trends is that such activity is likely to become relatively less important.

Part of the problem is inertia in policy strategies and how we look at evidence. Congestion has become an increasing problem and particular industries and sectors that rely on road transport have become particularly exposed to congestion. Their competitiveness is being eroded. Policy will then seek to do something about that, but in the meantime, the world will have changed with the attractiveness of core urban centres as concentrations of employment.

I return to the issue of labour market reach. If we are to make the central belt economy work better and make it more attractive to investors and indigenous companies as they grow, we must do what we can to maximise labour market reach and the catchment of both centres. That takes us back to integrating the Edinburgh and Glasgow

conurbations in particular into a larger competitive whole that can compete at the next level up in the European economy.

**Des McNulty:** Is the rail link between Glasgow and Edinburgh, which is relatively expensive and relatively slow, a real barrier to proceeding with not just a transport policy but an economic development policy that links together the main urban centres in Scotland?

**Iain Docherty:** Yes. I do not wish to lapse into anecdote, but particular sections of society have difficulties. Consider a dual-career household in which two people have professional jobs and seek to decide where to live so that both can take advantage of labour market opportunities. If the cost of commuting by rail between Edinburgh and Glasgow or vice versa for two people is substantial, that might affect the extent to which they will choose to become engaged in the economy. In turn, that will undermine competitiveness, as it will mean that the skills pool will be reduced for employers. Some people will be unwilling or unable to overcome the cost barrier to take up employment. There are several individual issues, which together become a significant constraint.

10:30

**Des McNulty:** So a quicker and cheaper link between Edinburgh and Glasgow, in particular, and also cheaper links between Aberdeen, Dundee, Edinburgh and Glasgow would be economic generators for the competitiveness of the Scottish economy and would bring significant social benefits.

**Iain Docherty:** The shrinking of distance and the shrinking of the cost dimension in terms of accessibility to employment would undoubtedly help the competitiveness of the economy.

**Des McNulty:** So—

**The Convener:** I will stop Des McNulty hogging the questioning, as a few other members want to speak.

**Robin Harper:** We frequently hear the figure of a 27 per cent increase in traffic by 2021, which seems unnecessarily precise. How robust is that projection?

**Iain Docherty:** Its robustness is anybody's guess. I imagine that that figure comes from a projection of UK or British trends on to Scotland. We all know that there are substantially lower car ownership figures in Scotland than elsewhere, in particular in the major cities, so there is potential for huge traffic growth.

The question is, if we do something about the cost and attractiveness of public transport early on

in that trajectory, can we intervene so that we do not necessarily follow that trajectory? The potential is there, but it requires action on public transport and the planning system. Our spatial vision for what the economy looks like must be integrated into the transport infrastructure that we have and the one that we will have if we are going to achieve that aim.

**Nora Radcliffe:** Will you elaborate on the potential of rail to increase the competitiveness of the cities outwith the central belt, that is, Dundee, Aberdeen and Inverness?

**Iain Docherty:** On one hand, the potential is less. Rail is a relatively expensive mode and for it to be efficient it requires relatively large passenger flows. That is why, realistically, only the greater Glasgow conurbation is going to sustain a large, dense urban rail network. However, that does not mean that carefully targeted improvements in things such as light rail might not make differences to smaller cities.

I have been struck by the example of some French cities, which have invested serious amounts of money in light rail or metro systems to relieve their congestion problems and to make the city more attractive for people to invest in or come to live in, both in labour market reach and quality of life. In France, cities such as Rennes and Orléans have invested a significant amount of money in brand-new public transport schemes. Their populations are equivalent to that of somewhere such as Aberdeen. I see no reason why we cannot seek to emulate that vision.

**Nora Radcliffe:** How do you rate the importance of the various possible structural and funding changes to the rail industry in Scotland? What are the most important priorities for change in the rail industry?

**Iain Docherty:** I will focus on outputs first. The most important output that we should seek from any structural change is reliability. What I have said about the importance of the rail network to the economy depends on its being reliable and on people being able to make decisions about where they live and work on the basis that they will be able to use the train service to get to and from work and carry out the tasks that are part of their daily lives. The most important point is to make the network robust and reliable, so that people can depend on it and can make long-term decisions.

The most important structural change that we require is transparency. As Austin Smyth said, we do not have anywhere near the degree of transparency that we need in terms of the financial flows inside the industry. We do not know much about the allocation of the track access revenue that we get in Scotland and how it is spent. There seems to be an impenetrable black box in relation

to the decision making that goes on in the fragmented system that Austin Smyth mentioned. Transparency is essential.

The other important factor is to have a level playing field in respect of decision making between road and rail. The reason behind my support for having an autonomous set of Scottish rail structures is that, as we have full devolved control over the road network but not over the rail network, it is inevitable that we will make more pro-road decisions and seek road solutions because they are easier to implement. It would be easier if the Scottish Executive and the Parliament had full control over the rail mode. In terms of transparency of the outputs that we get from our own decisions, it is inevitable that we will seek road solutions. The rail system is more fragmented and our own institutions have less control over it. Solutions become more difficult because more barriers are placed in the way of seeking them.

**Des McNulty:** Could you expand on the importance of the rail infrastructure around Glasgow and throughout the west of Scotland? Does the transport delivery plan take adequate account of the need to ensure that that is effectively used? What is the potential in that regard?

The rail elements of the transport delivery plan highlight the redevelopment of Waverley station, rail links to Glasgow and Edinburgh airports and the Borders rail link. Are any of those top priorities when considered in the context of the issues that we have been talking about, such as the Edinburgh to Glasgow line? In terms of net present value and other such measurements, would improvements to a part of the transport infrastructure that is used by a lot of people deliver the most effective return for investment?

**Iain Docherty:** Incremental additions to the bigger existing flows are always likely to produce better net present values. We need more transparency in the debate. People are passionate about the Borders rail link, for example, because it is a key component of regional development and will tie local communities to the national rail network. It is unlikely to deliver as great a financial return as a less glamorous project such as an addition to the existing network would, but that does not make it any less important to the communities concerned or to the future of the national network. We have to be more transparent about our objectives. Sometimes we aspire to deliver projects for reasons that are not solely to do with their direct economic potential. We will come back to that issue if we discuss the existing network.

The history of equivalent large urban networks on the continent is relevant to the question of the Glasgow network. Thirty years ago, a lot of

investment was directed at plugging the strategic gaps in those networks. That tended to mean that large networks that were focused around more than one terminal station were given cross-city links to make them more effective and expand the range of journey opportunities.

Munich, for example, has just celebrated the 30<sup>th</sup> anniversary of its S-Bahn system with its central tunnel, which integrated a system that was similar to Glasgow's present system. The fact that that network has become more important in the overall transport system of that conurbation in the past 30 years proves that such links make the system easier to use and mean that people make more use of the network. My strategic priority in relation to the rail infrastructure around Glasgow and throughout the west of Scotland would therefore be to develop links.

Airport links are important for a number of reasons. The direct financial contribution that they can make to the economy is perhaps less important than their effect on the overall asset set. Under our current appraisal systems, it is difficult to capture exactly the contribution that they make. We know how many people will use an airport link from the airports to the city centres and we can make a calculation about how much of the infrastructure costs will be paid back by that usage, but we have no idea about how much more attractive to investors those links would make the cities or what the employment spin-offs would be.

Airport links are part of the softer set of assets that cities must have in order to be competitive. In a sense, we have to become a little less hard-headed about the direct financial contributions of such schemes. If we can afford them, there needs to be a leap of faith. They are worthwhile initiatives and will deliver benefits, although it might be difficult to pin those benefits down on a balance sheet.

**John Scott:** You said that there was a lack of transparency in the debate. Perhaps that is because there are many contributors to the debate. Do you agree with Austin Smyth that there needs to be a rationalisation of the numbers of those who are governing, advising and guarding the guardians and that a number of bodies exist without a real need for them?

**Iain Docherty:** That rationalisation has to take place. In addition to what Austin Smyth has said, we are at an interesting point in the development of the system. The question of which parts of the railway network should be in the public sector and which in the private sector is being raised. We have a window of opportunity to change where those organisations lie. It is incumbent on us to address those issues and to decide which parts of the network we want to be under direct public control. It is not only a matter of providing more

accountability through reducing fragmentation; it is also desirable that we increase the direct accountability between institutions such as the Parliament and the Executive on the one hand and the organisations that deliver and manage the railway network on the other.

There are issues about the potential nature of a successor company to Railtrack at Great Britain level or in Scotland. There are also issues about the nature of the Scottish train provider, such as whether its franchise should be short term or long term. In fact, there are issues such as whether that franchise should remain in the private sector, as it is feasible that the Government could choose to take the ownership back into the public sector, for example, at the end of the existing term in 2004. We must think about those issues.

If we choose vertical integration, there will be the option to effect more radical change. One of my preferred options would be the Swedish model. That model retains a track authority, but rather than have a complex system of track access charges such as the one that funds Railtrack at the moment, it goes for marginal cost pricing. The track authority exists to provide the infrastructure that the Parliament or the Executive wants and a train operating company from either the public sector or the private sector provides the services at the required cost. There is none of the complex financial wash-back and no complex system of financial exchange such as we have in our current fragmented system.

The options exist. I am not sure that we have grasped the potential. If we were to move to a 15-year franchise, it would be difficult to change the structure of the industry again during that period.

**John Scott:** Are you saying that the track should be back under public ownership and that the franchises should be in private ownership?

**Iain Docherty:** The infrastructure should definitely be in public ownership. There are advantages to the train operators' being in the public sector and to their being in the private sector. I would have no problem if the provision of train services were to return to the public sector. There are advantages in that, particularly for direct accountability to the Parliament.

**Mr Adam Ingram (South of Scotland) (SNP):** That would also make sense for the level playing field about which you talked. Road infrastructure is under public control; to create a level playing field, the track, stations and other parts of the railway network would need to be under public control. What else is required to create the level playing field that you said was necessary to enable us to make rational judgments between rail investment and road investment?

I am interested in the public-private split. Austin

Smyth said that vertical integration under the private sector was not in the public interest. Would vertical integration under the public sector be in the public interest?

**Iain Docherty:** It may be. Most railway administrations in Europe remain vertically integrated in the public sector. Most European countries are happier with the performance of their public, vertically integrated railway systems than we are with our largely private, fragmented railway system. You may judge that to be significant and sufficient evidence that we might want to re-adopt that model.

On structures, the most important thing is to make the road and rail decision-making institutions more like each other. We must have full control over investment decisions in the railway network because it is easier for us to adopt road-based solutions simply because, from the bureaucratic point of view, we have the expertise, skills and means to deliver the process from inception, through planning and financing, to procurement. Inevitably, we follow that path and make road-based decisions to solve problems, because we have control over the system.

As soon as the railway network is fragmented to the degree that it is and power over the network lies elsewhere, the transaction costs that are involved in making investment decisions in the network become significant. At times of limited resource, they become even more significant. Unless the devolved Parliament and institutions have sufficient control—or full control—over such decisions, it is inevitable that we will follow a roads-based programme.

10:45

**Mr Ingram:** What is required for the Parliament to assume such a role? What areas are you referring to?

**Iain Docherty:** Financial transparency and autonomy are required. I think that the charges that are raised in Scotland should be spent and allocated by the Scottish Parliament. Only in that way will we make better decisions about costs and benefits. Another reason why I favour the autonomous model is the degree of transparency in decision making that it offers. It would give us a much healthier perspective on the potential costs and benefits of competing projects. In all honesty, our priorities are competing, because we have a limited pot of money. We will make more effective decisions if we have to bear the costs as well as raise the money.

We must have control over decision making, and that means the powers of the Strategic Rail Authority being allocated to a Scottish body, whether that is an agent of the Executive or

something akin to SPT with an expanded role. Various positions could be adopted. I do not think that that is a particularly important issue.

The issue of safety has been raised. As we are seeking to harmonise safety standards across Europe, I do not think that we have to satisfy a short-term need by setting up a completely separate Scottish safety authority. We should seek to retain stability and try to adopt European standards, particularly in train control warning systems. The suggestion about full financial and decision-making control over the Scottish rail network is wise, but I do not think that we need to take on board some of the safety and other regulatory aspects at this stage.

**Austin Smyth:** The Scottish Executive has gone a long way towards developing a system of appraisal to permit a level playing field for decision making: the Scottish transport appraisal guidance system, which we all know about. However, we also know that the STAG system has yet to be applied fully to the main headline projects in the transport delivery report. The STAG system provides the framework within which consistent decisions on road and rail can be taken. There will always be an element of subjectivity, and politics will be the ultimate decider, particularly when decisions are taken on non-commercial grounds, as will be the case for almost all rail projects.

The other practical thing that needs to be done is for the costs of rail to be estimated using a bottom-up approach. In other words, the costs need to be estimated as they are incurred in a scientific way, rather than in a top-down way or with an accountancy approach.

Those measures are unlikely to make any of the schemes that are being discussed, notably the Borders rail line, viable in financial terms, but they will at least provide a basis on which to judge various projects, taking into account their relative cost-effectiveness. If an analysis were done, I am certain that the costs associated with track access and the moneys being invested in the railway system would balance out. In considering enhancements to the current system, decisions between road and rail could be taken more consistently if the measures that I have discussed were adopted. That is the point that I want to highlight.

**Fiona McLeod (West of Scotland) (SNP):** Professor Smyth mentioned that Northern Ireland has a devolved, publicly supported railway system. I am looking at the Executive's draft directions and guidance to the SRA, paragraph 4 of which covers the new services that the Executive would want to be delivered. If Scotland had a system similar to that in Northern Ireland, under which the Scottish Executive could directly influence and support the outcome, is there anything in the list of possible

enhancements that we would expect to be delivered but which is not currently delivered because there is not enough control here? The fact that there is no mention of the electrification of the Aberdeen line is what stands out for me. Would that be mentioned if we had more control?

**Austin Smyth:** It is more important to talk about electrification as a long-term investment, because a 10 or 15-year franchise might not provide a sufficient payback period.

Although the guidance is all very laudable, it appears to be aspirational, rather than being associated with specific, clear targets and defined projects. That is a reflection of the fragmentation in decision making. It also reflects the need to build up the expertise that is available locally to the Executive to enable it to make decisions in a similar way to that in which it makes decisions on roads. That would come about only if there were more transparency and more proactive Executive participation in making decisions on projects.

**The Convener:** We will come back to the directions and guidance later, so we will leave supplementary questions on that point just now—I see a few being sparked by Fiona McLeod's question. I want to deal with the other areas that we want to address.

**Maureen Macmillan:** I want to come back to autonomy and vertical integration. I am conscious that much of what has been said has been about commuter traffic on trains. I want to ask about freight, sleeper and cross-border, Anglo-Scottish services. How will vertical integration affect those services? The freight companies' submissions show that they are not keen on it.

**Austin Smyth:** Your point about freight illustrates what I said about a private sector monopoly running the infrastructure and controlling access to the infrastructure not necessarily being in the public interest. By definition, monopolies, whether in manufacturing or in a service industry, tend to produce less than optimum levels of output. That is the real reason why nationalisation took place in the first place. Regulation would have to be rethought radically if we had a vertically integrated private sector rail operation in Scotland.

**Iain Docherty:** The corollary to that is that immediately before the reform of the system with privatisation in 1993, an essentially vertically integrated ScotRail ran the infrastructure and the domestic passenger services, which became the ScotRail franchise, but there were separate freight and long-distance Anglo-Scottish companies. Although vertical integration is not my preferred option, for various reasons, we have experience of running the system in that way. I do not think that there are any institutional or policy barriers to the

existing Anglo-Scottish and freight services operating quite happily in a structure in which there is a publicly owned, vertically integrated ScotRail—or whatever you want to call it. There is a precedent for that; we have run the system in that way before.

**Maureen Macmillan:** Do you think that we would have enough control over what happens south of the border if we had a separate system? I am thinking specifically of sleeper services, which depend on what is happening with Railtrack at any given time—ScotRail is dependent on how trains are routed south of the border.

**Austin Smyth:** There is no suggestion that the system should be separate. Eurostar runs services between London and France, and beyond. Those services involve operations with different companies. The combined operation involves the private sector in Britain and the public sector in France and Belgium and operates over state-owned tracks in France and Belgium and over privately owned tracks in Britain. There is no reason why issues would arise if we were to introduce a greater Scottish dimension to rail here.

On cross-border services, I mentioned the situation on the Belfast to Dublin route. Two state-owned companies came together to provide a pooled fleet of rolling stock, which saved them millions of pounds in their investment profile. They also have pooled staff—the arrangement works well in that respect. If there is a will, there is a way. If track were under more direct Scottish control, that would not necessarily be to the disbenefit of cross-border services.

The main problem with track coming under public control in Scotland relates to the allocation of public finance to investment in rail. According to Government, the successor to Railtrack will be off balance sheet, as it will not be regarded as a part of the public sector borrowing requirement. Many people are sceptical about how that situation has been reached. In reality, it is an accounting exercise. There is no reason for Scotland not to follow that precedent.

The crucial point is that there should be more accountability, transparency and visibility in the process.

**Maureen Macmillan:** Why do you think the freight companies are not keen on the idea of vertical integration?

**Austin Smyth:** I wonder whether they are keen on the idea of a vertically integrated private company. It is human nature for a private monopoly to favour its own operational circumstances. However, there are historical precedents—from before nationalisation—for addressing the complicated problems that arise from vertical integration in the private sector.

**The Convener:** We want to tease out further issues arising from the draft guidance to the Strategic Rail Authority.

**John Scott:** What is your view on the draft directions and guidance for the ScotRail replacement passenger franchise? Should revenue risk rest with the franchise holder or with the Scottish Executive and SPT?

**Iain Docherty:** The document says that the next round of the franchise will encompass all the services that are operated by ScotRail on a specific date in 2003. That is a welcome innovation, because some would say that the current franchise was deliberately underspecified so that the core network of services to be delivered would not be the same as that which was operated prior to privatisation. Some of the services that were being provided were deemed to be optional extras that the commercial company that operated the franchise could cut if it got into difficulties. Recently we have seen a small example of that. It is welcome that the whole existing network—the train services and the stations that make up the current ScotRail franchise—will be included in the core commitment that the next franchise holder makes. That is very important.

There have been problems with the division of responsibility for revenue risk between the ScotRail franchise and SPT. It is clear to those of us who have experience of using the SPT network that a private franchise holder's first commitment will be to retaining revenue that accrues directly to its pocket, rather than revenue that it is required to pass on to the public purse. The operation by one company of two different kinds of service, the revenue from which accrues to different pools, has led to problems. That issue will have to be taken seriously in the new franchise.

The apportionment of revenue risk is a secondary issue that depends on the industry structure that we decide to put in place. I know that SPT is strongly in favour of retaining the risk for its services, because it sees that as crucial to ensuring transparency and accountability in how it develops its local network. There are clear advantages in doing that, but there are also clear benefits in relying on the privatised franchise holder to ensure that it uses the market expertise that is open to it to maximise revenue in a flexible manner.

11:00

**Austin Smyth:** The guidance is laudable and it would be nice if its suggestions were implemented, but it is difficult to believe that many of the aspirations will be achieved within public finance constraints. Substantially greater funding will be necessary to improve the railway system



and it is anybody's guess whether that can be levered in from the private sector, given recent experiences. Therefore, it will inevitably fall back on the public sector to make up the difference.

Although it is clear that Scotland will increasingly have responsibility for making the decisions, there are competing calls on funds from other areas, such as health and education, so there will be a need to identify the value for money that such measures will offer. I note that the phrase "value for money" is used in several paragraphs in the draft directions and guidance. For example, paragraph 3.3 states:

"The Scottish Ministers further direct the SRA to secure a franchise which is affordable and which will deliver value for money".

That paragraph sums up the problem. What is meant by "affordable" and "value for money"? On what basis are such judgments made?

I think that I am correct in detecting that in its evidence to the committee, the SRA indicated that it wished the guidance to be relatively general, as that would give more room for manoeuvre in the bidding process. I wonder whether that means that, from a purely Scottish perspective, we will end up with the best that can be achieved from the recommendations in the guidance.

On revenue risk, the issue revolves around the fact that most, if not all, of the Scottish network is non-commercial. In those circumstances, the retention and development of the network depend on non-commercial objectives and benefits—economic and social objectives and benefits, for example. A train operating company would not have such objectives as its main objectives; a company of that kind would seek profit. I find it hard to see how those different sets of objectives can be reconciled, particularly in the SPT area. Everybody acknowledges that SPT has done a decent job in delivering a rail system, given the constraints to which it has been subject for many years.

**John Scott:** That begs the question whether there is a future for the railway. The private sector model is not working, the previous public sector model did not appear to work and you say that if any project were subject to a STAG appraisal, it would probably not be regarded as worth while. If that is the case, where does the future lie?

**Austin Smyth:** I did not say that no project would be viable. I distinguished between financial viability—the business perspective—and an economic and social perspective of the sort that STAG embraces. The appraisal of railways under STAG is more likely to produce a case for rail investment than is an appraisal using the business model that a train operating company—or any other private sector company—would be likely to use. That is the difference.

**Des McNulty:** You were right to point out that the SPTE has been a good model for running a rail network. The SPTE has been undermined, to some extent, by developments in the rail industry during the past 10 years. Will the deterioration of effective management that we have noted in relation to the SPTE get better or worse as a result of the provisions in the rail franchise specification?

You argued that rail will never entirely wash its face economically—there will always be subsidies. Do we manage that process as well as other countries or are there useful models that we could learn from? I do not want to go over the debates about accountability, which you have outlined. Will the management of the specification process deliver the best outcome—an effective railway that provides value for money? That question is particularly pertinent in the areas that are closest to full economic viability.

**Austin Smyth:** Although the UK has tended to decry its railway system, all the evidence over many years indicates that, in terms of productivity, the UK rail system is among the best in Europe. That has been true both under state ownership and under the private sector.

You ask whether there is a better model. The crucial thing, which we must recognise, is that there are huge costs associated with railways. Those costs arise not only from new developments but from things such as the trackbed and the signalling systems. A large element of fixed investment is associated with those costs. Therefore, the case for rail is dependent on the traffic demand that can be obtained. The truth is that, outside the central belt, the demand is not substantial, so railways must be regarded as potentially contributing to social or economic goals—I emphasise the difference between economic and financial objectives; they are very different from one another. Currently, an appraisal system is being developed, or enhanced, which will enable those questions to be addressed as objectively as possible. However, there will always be an element of subjectivity.

One thing that I will say is that, compared with the situation elsewhere, the Scottish Executive is extremely generous in the way in which it deals with social objectives in its transport budget allocation. A much greater proportion of the budget goes on supporting socially necessary services—be those ferries or rail—than in any other part of the UK. There is a tradition of supporting such services, but it may be worth re-evaluating the efficiency of their delivery. That is where the cost estimations and the assessment of benefits would come in. Ultimately, the decision must rest with the Executive and the Parliament, which must be informed by adequate information.

If I may go back to structures, interesting

lessons could be learned from the not-for-profit arrangements that have been made for the water industry in Wales. Glas Cymru has excited a great deal of interest in Northern Ireland because it has been able to achieve off balance sheet status for its finances.

**The Convener:** I think that that draws us to the end of our questions. Does Iain Docherty have something to add?

**Iain Docherty:** Yes. I want to pick up on the conflict between the commercial objectives of the train operating companies and the strategic objectives. Electrification is one of the clearest examples of where the current system has failed. As Austin Smyth suggested, investment in long-term infrastructure of that kind will not be in anyone's commercial interests.

In England, we have a rather bizarre situation in that one franchise holder has procured new diesel trains to run on a route that is 100 per cent electrified. It has done that because it knows that it could flexibly redeploy those assets outside its own franchise or to a different company if it wanted to make that commercial decision.

We are in danger of doing the same thing. We need to strengthen regulatory control by strengthening political accountability for the objectives that we want the rail network to achieve. We need to think not only about the outputs but about what we want the rail network to look like physically. Unless we do that, we will always be likely to have a conflict between our political aspirations and what commercial logic dictates to the companies. Unless we reform the structure so that our publicly accountable bodies and organisations give the instructions or let the franchise, we are likely to end up in the same situation.

**The Convener:** Although I said that that was the end of the questions, you have now triggered a whole series of other questions. I want to throw in a question myself.

You mentioned major investment such as electrification. Will it be possible for the proposed infrastructure company, which will be run on the not-for-profit model and will be largely funded by the Government through the Strategic Rail Authority, to take a long-term perspective on investment in upgrades such as the electrification of new sections of the network?

**Iain Docherty:** That would be possible but, under the current model, we seem to rely on train operators to bring a degree of innovation and on the new special purpose vehicles for investment.

Decision making is complicated and fragmented and, instead of trying to simplify it, we seem to be trying to create more complex special purpose

vehicles to overcome the fragmentation. Underlying evidence that I and, I suspect, Professor Smyth have heard is that there are relatively simple solutions out there if only we could grasp them. The fact that we used to do things differently does not mean that we cannot consider what we used to do—it may be better. Rather than—to use a bad pun—going down the track of trying to overcome problems with clever solutions, which then fragment things still further and lead to still less accountability, we should perhaps take a step backwards and try to get a simpler view of the landscape. We could reduce the number of conflicting and competing organisations.

**Austin Smyth:** The infrastructure that is associated with electrification will last well beyond the franchise period, even if that period is extended. What happens will depend on what the train operating company does. Let us suppose that investment in electrification was viable on a particular route—which would presuppose that the train operating company would operate subject to the assumptions that were built into the investment case. I am not sure how that would be achieved, but it would require the details of bids sought by the franchise body—whether that be the SRA or a Scottish equivalent—to be much more tightly defined. That would require assumptions to be made about what would happen at the end of the franchise period. A franchise may last 15 years but the overhead wiring may have a life expectancy of 20 or 30 years, so what assumptions should be made after the 15 years? That would be where the issues of mismatch and of finding short-term solutions to long-term problems would come in.

**Nora Radcliffe:** I want to raise two entirely separate points. Given what has been said about the payback for major infrastructure work, is it sensible or silly to expect franchisees to organise improvements to the network?

People have talked about economic, financial and social issues, but no one has mentioned environmental issues. Should, for example, carbon costs be factored in when comparing road and rail?

**Austin Smyth:** The economic appraisal that is used generically incorporates social, environmental and accessibility objectives. When someone says “economic”, we should not assume that they are talking simply about pounds, shillings and pence—or perhaps just pounds and pence. There is a pedigree of 30 years of social cost-benefit analyses. It is the basis of most investment in big projects in this country. Most other countries have that, too.

**Nora Radcliffe:** With the Kyoto agreements, for example, carbon costs have come to the top of the agenda. Is that being reflected in evaluations?

**Austin Smyth:** Ways of measuring the costs that are associated with carbon dioxide emissions are still in their infancy. The Scottish transport appraisal guidance system derives from existing practice and tries to build on it. The whole issue of how we evaluate climate change in terms of its effect on future generations is still very contentious. However, I suspect that the STAG system is sufficiently flexible to accept new insights into environmental or any other objectives. However, more research will be required—or at least a collation and review of current research.

**Iain Docherty:** I would like to answer the question about whether franchisees are the right people to deliver improvements. When talking about the Swedish model earlier, I suggested that franchisees were probably not the right people to do that. There would be merit in examining a system whereby the Scottish Parliament and the Scottish Executive decided what infrastructure was required.

Part of the debate that we are edging towards—although we are running out of time—is consideration of how we can integrate transport policy with other strategic policies such as energy and environment policies. It seems to be very difficult to achieve that under the current structure.

11:15

If the Executive or the Parliament has the power to consider what the infrastructure should be and what kinds of rolling stock can be operated on it, there will be much more control over integrating the outcomes with other strategic objectives. As I said, my preferred model would be for the Government, through its rail agencies, to have full control over the shape of the infrastructure and to have train operating companies operate a specific set of services using specific engineering standards, rolling stock and so on. That would allow the train operating company, whether in the public or private sector, to get on with delivering services, which would have advantages in terms of daily management and the operating company's ability to deliver the reliability that we require. There needs to be a reallocation of powers. Train operating companies are best at operating trains, not at making infrastructure investment decisions.

**Maureen Macmillan:** Professor Smyth made a throwaway remark that we should reassess rural services because of the subsidies that are involved in keeping them going. Can you expand on that? Where do you think the future of rural services lies?

**Austin Smyth:** I was going to come back to another issue that Nora Radcliffe referred to a moment ago and that relates to climate change and so on. The whole policy should derive from

the vision for Scotland in the future—there needs to be a coherent spatial strategy for Scotland that reflects how to deal with regional imbalances, growth, poverty and underdevelopment. Once we have that framework right, everything else will flow logically from it. We can then set any case for investment in rail or other transport infrastructure within the spatial framework.

Recently, I have been privileged to be adviser to the regional transportation strategy for Northern Ireland, which is taking exactly that approach. Northern Ireland began with a spatial strategy in which it identified key corridors for development; the transport strategy is grafted onto that. That study has reached the point at which we are able, in the case of rail, to say what train services will be operated on which routes, how many trains need to be purchased and what will be the cost of investment over the next 15 years. Such a level of detail is required to get the best out of something like the guidance that has been proffered by the Executive. Policy needs to be more specific and tied to well-defined goals and objectives.

On Maureen Macmillan's point about reassessing the role of rail, I suggest just that there has been much less transparency since privatisation. Under British Rail, as an interested observer or a public servant, one would know the costs and benefits of schemes. We do not seem to know those any more; the information is not in the public domain. Given the fact that much public funding needs to go into such investments, it is only right that voters and taxpayers have access to such information. That lack is reflected by the evidence that the committee received a couple of weeks ago in which vague replies were given that were nothing like the answers that many members were seeking.

**Iain Docherty:** Another point about rural services is that the Scottish level might not be the most appropriate level at which to make decisions about the costs and benefits of such services as they are perceived by local people. One of the lessons that we can learn from the history of Strathclyde Passenger Transport is that the rail network in Strathclyde is very different from what it would have been had there been no regional dimension and had the former Scottish Office made all the decisions about the level of railway provision in that part of the country. There is a parallel debate to the one that we are having this morning about regional transport partnerships, what they should look like and what powers they should have.

We have both argued for increased transparency and autonomy in decision making at the Scottish level. One might also reflect on the fact that we would benefit from increased devolution to regional level within Scotland. For example, for some of the deepest rural lines for

which the least positive economic cases can be made—such as the far north Inverness to Kyle line—a Highlands and Islands regional transport authority might be best placed to make decisions about management of services, alternatives and on what money could be spent if people in those communities wished to change their priorities. There is a clear case to be made for devolution of responsibility and management funding for those services away from the centre to local level, which is likely to mean city-regional or rural-regional transport authorities.

**Austin Smyth:** There is an interesting correlation with the debate that has been developing about air services in Scotland. There is an increasing push towards making more transparent the subsidies for some of the services to places such as the Western Isles. Nevertheless, there is still some devolution of authority. Scotland owns the airports and the whole issue is dealt with in Edinburgh, albeit that some of the organisations might have been interested in further devolution of authority. However, there is no inconsistency in doing that while retaining UK-wide safety or other related regulatory frameworks.

**The Convener:** We have reached the end of our questions. I thank Austin Smyth and Iain Docherty for attending the meeting. Your evidence has been interesting and makes a valuable contribution to our work on the rail industry. You have posed some key questions on which the committee will have to come to conclusions in its final report and when it reports to the Executive on its proposals for directions and guidance to the Strategic Rail Authority. Thank you for your contributions.

**Austin Smyth:** Is it possible to submit supplementary material to the committee, given that we have only recently had access to some of the items we have been discussing?

**The Convener:** That would be welcome.

**Austin Smyth:** Thank you for the invitation.

**The Convener:** We continue with our next group of witnesses. Des McNulty has indicated that he wants to ask me a question. However, first I welcome formally our two guests to the next evidence session in the rail inquiry. Bill Ure is secretary of the Rail Passengers Committee Scotland and Dr John McCormick is from the Scottish Association for Public Transport. I welcome the witnesses to the committee. I am sure that your contributions will be as valuable as those we received from the previous panel of witnesses.

**Des McNulty:** Convener, the previous witnesses underlined something that I felt to be the case when we took evidence from the Strategic Rail Authority and from the Office of the Rail Regulator. Some of the responses that were

given by witnesses were a bit vague, in particular responses to focused questions on issues such as track access charges and the systems that are in operation. Could we write back to those witnesses to ask them for more detailed and studied responses to the questions? We need to know how those models work.

**The Convener:** Several people have made that observation. With the committee's agreement, Tom Hart and I would be happy to draft an appropriate letter to the relevant organisations.

I am sorry for that brief interlude. I understand that Bill Ure and John McCormick will give brief introductions.

**Bill Ure (Rail Passengers Committee Scotland):** I thank the committee for the welcome opportunity to give evidence. In considering rail projects, transport strategy and the draft directions and guidance, the Rail Passengers Committee Scotland has tried to evolve a framework for tackling the matter, which is a bit like grabbing hold of a jelly. We have evolved a matrix-based approach that builds from the ground up. The bottom part of the matrix is the question of how projects stand up against the Executive's objectives for the economy, the environment and social inclusion. The next part of the matrix is the question of what railways are good at. Generally, railways are good at moving large numbers of people between urban centres and along densely populated urban corridors. The third and top part of the matrix is the question of what passengers want. It will come as no surprise to the committee that passengers want the same qualities that they have wanted for the past 50, nay 100, years. Those qualities are punctuality, reliability and a trade-off between comfort and cost.

That has led us to take the view that the new franchise should make the existing network work better, including the infrastructure and the services that operate on it. It should develop the existing network to use it to its full potential, which is not the case at present, and it should—inevitably—focus its activities and investment on major routes and major markets. That is the approach that the Rail Passengers Committee Scotland is adopting. It is not an out-and-out consumerist approach; rather, we are trying to take an objective view that is based on reasonably logical and sound outlooks.

**John McCormick (Scottish Association for Public Transport):** The Scottish Association for Public Transport is an independent interest group of public transport users; we are not transport professionals. Our interest in transport is more from the passengers' point of view and is like Bill Ure's, to an extent. We might not have in-depth understanding of some technical aspects.

If it is to be for 15 years, the ScotRail franchise re-let is a once-in-a-generation opportunity to get things right and to move towards an integrated transport model, following the lines of Government policy. The directions to the SRA should ensure that Government policy, as laid out in the Scottish Executive's delivery plan, is dealt with in all the bids that are made.

The draft directions seem to be a bit vague on some matters and should probably have better-focused targets for increasing rail use. Fare levels should be constrained to an extent and the tourism industry should be taken into account. That industry generates more than £2 billion a year in Scotland, yet it is not mentioned much. Some of the rural railway lines, which were discussed earlier, are for tourists. Tourism should have a higher profile in the directions and guidance.

**The Convener:** Our first questions are directed largely at Bill Ure.

**Robin Harper:** Bill Ure's submission says:

"In two parts of the country, Western Zone and the West Coast Main Line (in England) which have faced particularly challenging problems the Strategic Rail Authority (SRA) have encouraged and facilitated the concept of 'virtual boards'. These 'boards' bring together the stakeholders i.e. TOCs, Railtrack, infrastructure companies who operate to a very considerable extent as the board of one company responsible for all aspects of the provision of rail services as for example ScotRail was in pre-privatisation days."

You set out that that model is readily transferable to Scotland. Would it have the impact that is required to attain the levels of rail improvement that are desired or would it merely help in that respect?

11:30

**Bill Ure:** It would go a substantial way towards it. The train has partly arrived in the station, if I may use that expression. In many respects, the rail system operates in Scotland in the way that Robin Harper describes.

When we were kids, we got a train set, put the rails round the room and ran the trains on the track. When we become adults, we take on a different sort of railway hobby—it is called re-organising the railways. We are great at doing that—in Scotland, we have been doing it for decades. However, re-organising the railways should come with a health warning. It is true to say that some things will make the system work better, but there is no magic solution. It is not possible to tinker around with the organisation, doing this and that. Anything that is done will take time to implement, especially if it involves legislation. In the meantime, the railway has to be run, services have to be delivered and passengers need to be looked after.

The virtual board model, which evolved for use in response to a crisis on both the west-coast line and the Great Western zone in England, can be implemented quickly. Existing good practice in Scotland could be encouraged to develop further into a semi-formal virtual board. If we are to regain belief in the railways, it is essential that we deliver rail services now. Railways are great at promising jam tomorrow, but tomorrow is often years or decades away. We must start to run the business now so that we can encourage people to believe that the service can deliver. We need people to believe that the service can be comfortable, reliable and punctual. I am for anything that can do that more quickly.

**Robin Harper:** Would you recommend strongly that the virtual model be used to fill the gap that was identified by our previous witnesses in order to develop the system between now and 2003?

**Bill Ure:** Yes—that would be a start.

**Robin Harper:** What are your views on suggestions that there should be a Strathclyde Passenger Transport Executive-type organisation for Scotland or that the SRA should be made an agent of the Scottish Executive for rail infrastructure planning as well as for the ScotRail replacement franchise?

**Bill Ure:** Those decisions are in essence political decisions that are distinct from rail business decisions. Our focus is on outputs. We ask whether an improvement will make life better for the passenger. The answer to Robin Harper's question must be that we do not know, but that we should suck it and see. It is possible to look at the SPTE's track record and say that over the years it has delivered a good service for the people of west-central Scotland. The SPTE has developed the network, kept fares low and encouraged the largest use of rail transport outside London. In Glasgow, close to 35 per cent of people go to work by train, compared to 17 to 18 per cent of people in Birmingham and 20 to 21 per cent of people in Manchester. That is quite an achievement for the SPTE and it leads me to say that there might be something in the virtual board model.

The second part of Robin Harper's question related to infrastructure. The Swedish model has been held up as a good example and I agree that it has many benefits. However, I return to comments that others have made that the playing field has to be level. Until now, the rail industry has had to recover in full its investment costs. Problems will arise if a system that operates on a full-cost recovery basis is compared to another that does not. The STAG appraisal system includes steps to level the playing field.

From the user viewpoint, although it is fun to tinker with the organisation, what is important at

the end of the day is the quality of service that is delivered.

**Des McNulty:** The transport delivery report says that there has been a 45 per cent increase in the Edinburgh to Glasgow service. However, if we travel at rush-hour periods, we are packed like sardines and one can say only that fares are considerable. If we are to improve that service, what is the number 1 priority? It can take an hour to get from Glasgow to Edinburgh, so should we follow pent-up demand and try to streamline the service? From the passenger point of view, that is the most important priority.

Should we consider upgrading the Falkirk line and providing an alternative service to bring the journey time down to what we know could be achieved, as happens in other parts of the world? How do you deal with passenger comfort issues?

**Bill Ure:** Des McNulty asks a series of testing questions. The key area of investment is across the central belt and in the links between Edinburgh and Glasgow, however those are made. Our submission makes very clear the Rail Passenger Committee's vision of a multiplicity of services between Edinburgh and Glasgow, which would give more customer choice. I am not a proponent of Professor Begg's bullet trains that could cover the Queen Street station to Waverley route in 33 minutes. Although that is physically and financially possible, it is not the best use of funds.

I mentioned the matrix of economy, environment and social inclusion. We really want to open up employment and leisure opportunities to a range of people across central Scotland and in both Edinburgh and Glasgow. No one finds it easy to commute between Motherwell and Edinburgh unless they time their journeys around Great North Eastern Railway trains. The situation becomes more difficult if we go further out, for example to Hamilton or Carlisle.

At the moment, there are three routes between Edinburgh and Glasgow and, according to the transport delivery report, there will be a fourth. My goodness, what an opportunity that presents. Many countries would give their eye teeth to be able to give the bulk of the population—some 65 per cent—across the middle of the country four different ways to reach two major cities. Jings, why are we hesitating? That is where the investment should be going. Speed itself is not of the essence; the sole criterion is not to reduce a 40-minute journey to a 35-minute journey. We need to take into consideration a combination of quite complex factors, such as whether a passenger has a reasonable chance of getting a seat on a particular train, whether the train arrives when it is supposed to arrive and the cost of the journey itself.

The real problem with the Edinburgh to Glasgow service is that there are two separate markets: the intermediate market and the end-to-end market. Over time, ScotRail has become so successful in building the intermediate market that it now forms 45 per cent of its business. As a result, any sudden move towards a high-speed end-to-end service would leave out a fair chunk of business. Three of the four routes—one of them, the Airdrie to Bathgate route, has not yet been built—might have a journey time of an hour, give or take five minutes; some journeys will inevitably be longer, particularly those that go via Carstairs, which would serve the Motherwell and Lanarkshire market instead of Glasgow. A multiplicity of choice in stations where people can join the train will serve the country's economic, environmental and social interests. Obviously, Des McNulty does not agree.

**Des McNulty:** My perception of what passengers want between Glasgow and Edinburgh is quite different from yours. Passengers want a much quicker service than they currently receive, because that would be a real benefit compared to the road alternative. At the moment, the service runs five minutes slower than it did 30 years ago. Has that happened anywhere else in Europe?

**Bill Ure:** The service now stops at about three or four more places and serves those communities, which is only sensible. Speed is not the final criterion.

**Des McNulty:** Is that the view of the Rail Passengers Committee? Are you quite happy that the journey time is an hour or more?

**Bill Ure:** That is the view of the people we have polled through our website, called [onthetrains.com](http://onthetrains.com). One of the problems that representative bodies face is whether they represent their committee members or others. As a result, since October 2000, we have developed a website that asks people about real issues. We have found that, in general, people are not too bothered about an extra five minutes here or there on their journey; they are more concerned about punctuality, reliability, cost and overcrowding.

**Des McNulty:** Have you ever asked people who currently use cars whether they might be attracted to rail if it offered a better service, and have you identified what the key factors might be in that respect?

**Bill Ure:** We have not done that specifically with regard to the Edinburgh to Glasgow service. We have carried out some research into why people use cars instead of trains; indeed, we would like to develop that research, but it is quite difficult to structure. However, one of the main factors that has arisen is that you do not need to think ahead

very much if you want to use your car—you can make a decision and just do it. However, if you want to use rail services, or any other public transport services, you have to do a little bit of pre-planning, saying, “Well, if I want to be there at that time, I’ll need to get a train at this time.” You have to give a little bit of thought to planning a rail journey, but the immediacy of car use is a big factor for a lot of people.

**Des McNulty:** Is not it a product of the low frequency of service? If there were more frequent services, people would not have to get involved in that kind of pre-planning.

**Bill Ure:** It is the streetcar syndrome. If you know that there is one every 10 minutes, you can just tear up the timetable.

**Des McNulty:** There is a train only every half an hour.

**John McCormick:** I would like to make a point about the Edinburgh to Glasgow service. More than half the population of the west of Scotland, including me, lives south and west of Glasgow. When we make a rail journey to Edinburgh, as I have just done, we have a 10-minute walk between Central and Queen Street stations. That is the main hurdle that prevents people from moving from their cars to travelling by train. It can, particularly coming back in the evening, be quite unpleasant to walk through the centre of Glasgow as part of the journey. That does not make public transport attractive.

Although it would be good to shave off a few minutes from the Glasgow to Edinburgh route, that would not overcome the problem of having to move between stations. As often as not, you miss your train at the other end and have to wait another 29 minutes for the next one at Central station. That is the main problem, which could be overcome by a Glasgow crossrail link or by operating more trains to Edinburgh from Glasgow Central. I see that as the main problem for more than half the population of the west of Scotland.

**Robin Harper:** This is the last question from me, for the time being anyway. In your submission, you support congestion charging and interurban road charging across central Scotland. When do you envisage such charging coming into operation? If there were a delay in its introduction, would there be consequences for the rail enhancement programmes?

**Bill Ure:** It is difficult to take money from people on the promise of improvements at an undefined future date. There must be a hand-in-hand approach. For example, if services between Glasgow Central and Edinburgh via Motherwell were improved, charges should be introduced on the road approaches in that area to either conurbation. That would be a sensible way of

looking for some return from people who continued to use their cars when they had an improved alternative.

It is a matter of choice whether such things should be done through general taxation or whether there should be a more specific focus, in that, once a good public transport alternative has been provided, if people wish to continue to use private transport, that is fine, but it will carry a penalty. Those are political choices—you do not need me to tell you that. Do you upset everyone by jacking up general taxation, just the substantial part of the population that owns cars or perhaps only the smaller percentage of the population that drives between the two conurbations? Whatever the choice, congestion charging must come.

**John Scott:** In your submission, you highlight the importance of rail improvements across the central belt and on the Scottish intercity routes, rather than urban schemes, airport rail links or a line to the Borders. Could you expand on your views on priorities for rail improvements?

**Bill Ure:** That is what I tried to do in my opening statement—to explain the logic of our argument, where we are coming from and where any plans check off economically, environmentally and socially. What are railways actually good at? They tend to be good at moving large numbers of people in densely populated corridors. That inexorably leads us down the line of thinking about where the biggest markets are, where most of the people who will want to move between urban centres are and how those can be encapsulated.

In Scotland, it is pretty easy to see where those routes are: across the middle between Edinburgh and Glasgow; from Edinburgh and Glasgow to Aberdeen, a route that includes Dundee and Perth almost automatically; and to Scotland’s newest city, Inverness, which is a booming part of the country. That golden triangle—if Inverness does not mind being stuck at the top of the triangle—is where we should focus our investment and improvements to achieve the objectives that we started off saying that we wanted to achieve, such as regenerating the economy, improving the environment and promoting social inclusion.

What do I mean by social inclusion in that sense? In general terms, it is about presenting people with the opportunity to travel between places at times when it is viable for them to commute for work purposes. For example, there are some places that do not have particularly good rail access to either Edinburgh or Glasgow. Investment should be concentrated in those areas.

That does not mean that money should not be invested elsewhere, but the nature of the investment would tend to be different in different places. I have not delved into Strathclyde, for

example. Strathclyde Passenger Transport has enough ideas about schemes without our suggesting more, but it seemed to us that the intercity routes were not being looked at with the attention that they deserve.

11:45

**John Scott:** So you think that a pragmatic approach should be taken and that we should address the current problems rather than look to the future.

**Bill Ure:** Yes. We hear what people think of services and have some idea of the conditions that they endure. There should be a bottom-up approach. People can be given a vision of how things will be in 10 or 15 years after a franchise is awarded, but there will be a problem if, in the meantime, people vote with their feet and use cars and other modes of transport because the service is so crap that they do not want to use it. One should start at the bottom and ask, "What do we have now? What can we do to make things better and encourage people to use the system this year, next year and the year after?"

**John Scott:** In your report, you attach importance to improved station facilities. How are such improvements to be financed? How can connections between rail and other modes of transport be improved?

**Bill Ure:** SPT has already done a considerable amount of work with ScotRail and Railtrack. Much of that work is unique in Britain. Members will have heard about the secure stations scheme and closed-circuit television coverage. That is passive, but the work that has been done has been about making people feel better when they are at stations. In Scotland, an information management system has evolved. There is CCTV coverage and a helpline facility that people can call to ask for assistance or train information. Jobs were advertised three weeks ago in the *Sunday Herald*. A guy manages a route and has CCTV coverage of all his stations. He can see whether people are at the stations. He knows where the trains are, so he can keep the people up to date. That system is unique to Scotland and is evolving pretty quickly. More than 70 stations are involved, about 15 of which are in the east of Scotland—the others are in the SPT area.

SPT has provided finance from its resources and ScotRail has managed to scrape a few bob out of the franchise. Before Railtrack went into liquidation, it, too, contributed. There are also many advantages to local authorities, which benefit from contributing through partnership arrangements with the rail industry. The SRA has rail passenger partnership funds, which could be considered, and the Scottish Executive also has

some funds—indeed, I believe that it has contributed some money.

The system is a positive step and I have great fun boasting about it when I meet my colleagues in England—they have taken the security model, whereas in Scotland we have developed security plus information, with information leading the model, which is good.

**John Scott:** How can connections between rail and other forms of transport be timetabled or improved?

**Bill Ure:** In some respects, that is almost impossible, as rail works on a long, fixed time scale. For example, as members will see from the draft directions and guidance, the franchise is based on the September 2003 timetable. We always work with such a planning horizon. Recently, the bus industry has had its period of timetable change extended to about eight weeks from six weeks, I think—that industry can make regular changes. I think that Caledonian MacBrayne still works on the Julian or Gregorian calendar—I cannot remember which, but I know that it works on a different time scale.

**John Scott:** Is there scope for railway, bus and ferry representatives to sit down in a room together to work things out?

**Bill Ure:** I was being facetious when I outlined the current situation. Of course there is scope for us to do that. The current situation should not be allowed to continue.

**John Scott:** Why has it gone on for so long?

**Bill Ure:** It is always much easier to talk about integration than to make it work, which is genuinely difficult. Major changes have taken place. After the bus industry was deregulated, there was a hiatus and it became clear that the railway industry would be severely affected. A lot of opportunity time has been lost pending reorganisations or following reorganisations. The Executive should perhaps give firm guidance as to what should be done. The rail industry, given its current structure, has by far and away the longest lead times, so it would tend to be the fixed point about which others would move.

A step-by-step approach is probably required. The railways tend to think that summer starts in June and ends in September, whereas others in Scotland think that summer starts in April or May and continues into October. That is a matter for the railways to consider. The first step is to get Caledonian MacBrayne and the railways sorted out. Having succeeded in that aim, we should draw breath and go round the country sector by sector to make the system work. We should start first with the easy areas, where there are not too many trains or buses. That is a long programme,



but it is doable.

**The Convener:** I have always thought that the railway timetable's definition of summer in Scotland was generous.

**John Scott:** What should be included in the final directions and guidance for the replacement ScotRail franchise, in light of the draft document that has been made available to the committee?

**Bill Ure:** I have read through the guidance and explanatory notes. I like the shape of the document. It tends to state the high-level policy objectives. For example, it does not state specifically that there will be 15 trains a day between Milngavie and Queen Street. Such statements have no place in that sort of document. The bidders must have the opportunity to be innovative. I am satisfied with both the draft document and the accompanying notes.

**John Scott:** Would you suggest any improvements in the document?

**Bill Ure:** I would hesitate to suggest any.

**Nora Radcliffe:** The Scottish Association for Public Transport's submission was one of the few that referred to light rail. Will Dr McCormick explain why he thinks light rail is so important?

**John McCormick:** In the case of most of the light rail schemes that have gone ahead in England, there has been a dramatic increase in traffic. For example, the Manchester Metrolink carries three times more passengers on the Bury to Altrincham route than did the previous rail service, despite the fact that the previous service was an electric rail service that ran every 15 minutes—it was not a bad service. Approximately 400 cities in the world now have light rail systems up and running. Unfortunately, Scotland does not have any, unless we count the Glasgow underground, which was built in 1890.

Another factor is that, although light rail involves quite high capital investment, it does not usually require any revenue support. Let us consider some short-distance ScotRail services, such as the Cathcart circle, five or six miles out from the city centre on the south side of Glasgow. We believe that converting such services to light rail or some form of metro operation would lead to a huge increase in the number of people who use the system and could reduce the on-going revenue support, although it would require capital investment.

**Nora Radcliffe:** How do you see light rail integrating with heavy rail? Would it relieve pressure on some of the heavy rail services?

**John McCormick:** Absolutely. There are different ways of doing that. There can be dual working, when the light rail vehicles inter-operate

with trains. Take the example that I gave of the south side of Glasgow. Glasgow Central station is currently a huge, 13-platform station, which requires a lot of money for resignalling. If we took some short-distance heavy rail trains from there and had a street-running service in the centre of the city, that would reduce the investment needed for maintenance and replacement of all the points and signals. It would probably also give people a better service, as a street-running service could be extended through the centre of Glasgow to Queen Street station and the Buchanan Galleries.

**Maureen Macmillan:** What sort of population density is needed to make light rail viable? Would light rail work in Inverness?

**John McCormick:** The population density of Inverness would be on the low side. The city with the lowest population density for a viable light rail system would probably be Aberdeen. The heavy rail system in Inverness could be improved. For instance, the Tain commuter service could be extended to provide a regular service to the far north. Light rail schemes have a capital cost of around £200 million or £300 million and need a passenger volume that might not be met by the population density of Inverness.

**Des McNulty:** I know Manchester quite well and am aware of the positive effects of the decision to run trains through Manchester rather than have them terminate at Victoria station or Piccadilly station. Bearing in mind what you said about people living to the north-west and south-west of Glasgow, do you think that, as well as considering cross links between Queen Street station and Glasgow Central station, we should consider extending heavy rail services through Glasgow to the areas beyond the city if that were technically feasible?

**John McCormick:** Absolutely. It is quite unusual for a city to have all its suburban services terminating at one station. Most of the cities, including London, that used to have that system have developed some sort of crossrail system using either heavy rail, light rail or a metro system. Such a move is a priority for Glasgow.

**Des McNulty:** What would the technical issues be in relation to that move?

**John McCormick:** There are a number of ways in which the change could be made. The St Enoch bridge, which carries no passenger transport, could be used for a crossrail scheme to take trains through to the Queen Street low-level lines, which would link up the north side and the south side. Another option would be to convert the Cathcart circle to a light rail operation so that, close to the town, around Eglinton street, the route could go on to the street and approach the centre through the road system.

**Des McNulty:** In Aberdeen, the trains go through to Dyce. Similarly, in continental Europe, trains do not always terminate in the main urban centre but go a wee bit beyond. Could we do that in the context of west central Scotland and have trains that continue to Greenock or Dumbarton once they have reached Glasgow?

**John McCormick:** Absolutely. The fact that everyone has to get off at Glasgow Central station and hoof it to Queen Street station to continue their journey is one of the barriers to rail travel in the west of Scotland.

It will be interesting to see how Edinburgh's crossrail scheme, which opened a couple of days ago, can be developed in a way that will give Edinburgh a through route from the east side of the city to Edinburgh Park, once the station there opens. That would reduce the usage of the Edinburgh bypass.

**Nora Radcliffe:** You suggest that the SRA should be the Scottish Executive's agent for passenger franchising and rail infrastructure planning. Could you expand on that? Would you comment on an alternative model that would involve an expanded passenger transport authority covering all of Scotland? Could there be regional passenger transport authorities?

12:00

**John McCormick:** As has been said, SPT has been successful in providing a good level of service on most routes in the west of Scotland. Expanding an SPT-type structure could be a good idea. I do not see any conflict between that and the development of the SRA. The SRA in Scotland is considered to be a one-man outpost of the London-based SRA. That cannot be the optimum way in which to plan things in Scotland.

The regional model also has some attractions and the idea of having an Edinburgh-based passenger transport executive, a Glasgow-based PTE, a PTE for Grampian and one for each of the regions would bear consideration. At the moment, the problem with expanding SPT is that that system would be dominated by west of Scotland railways. I think that SPT controls 60 per cent of the trains in the ScotRail network at the moment and only 40 per cent of the trains are real ScotRail trains.

**John Scott:** I am interested in the concept of developing a service through Glasgow. How would we go about that in a practical sense? For a direct line from Edinburgh through to Ayr or Greenock, for example, would a series of tunnels go through Glasgow and link up on the other side?

**John McCormick:** The easiest way—which, we are told, is not practical at the moment because of

the traffic at Glasgow Central station—would be for the trains on the Ayr to Glasgow Central service, for instance, to reverse back out and go through to Edinburgh via the Carstairs line or the Shotts line. We have been suggesting that for many years. We are usually told that it is not possible because of the amount of traffic in and out of Glasgow Central station and the conflict between trains arriving at one part of the station and leaving from another part. It would clearly be the cheapest way, if it could be done. There would be a reasonable patronage, because existing services would be linked up rather than a completely new one created.

**John Scott:** For somebody such as me, it would be the difference between using the service and not using it.

**John McCormick:** It would be good if such a service could be achieved. The matter should perhaps be raised again when bidding for the new franchise takes place, so that we can find out whether the new holders will face the same hurdle as the current operators. In the longer term, tunnels would be a possibility. However, the resources would have to be available to build them. I am not sure whether that would be a priority at the moment.

**Maureen Macmillan:** This question may be obvious, but I will ask it anyway for the *Official Report*: why is rail delivery in Scotland said to be poor compared with road schemes?

**John McCormick:** Do you mean rail projects?

**Maureen Macmillan:** Yes.

**John McCormick:** I have brought along an interesting document: the final report on the Alloa to Stirling passenger rail link, which was produced in 1989. The project involves reintroducing trains on a line where the track already exists. It does not involve building anything and requires only checking out the structure of the track and the level crossings. The project has been on the go for 13 years. It is a 7-mile railway that involves only extending the Glasgow to Stirling trains to Alloa, which is the biggest town in Scotland without a train service. It has been waiting for 13 years, and the project is still a promise. Although it has been announced several times, no progress has been made on it. Nobody has done any work on it.

I will put that into perspective. Since 1989, the channel tunnel has been built, the French have built 1,000 miles of TGV line and there have been various light rail developments all over the world. In Scotland, we have not even managed to reopen a 7-mile railway to Alloa.

**Maureen Macmillan:** What is the remedy?

**John McCormick:** The remedy is for the Scottish Executive to give rail projects a much

higher priority than they have at the moment or for it to change the way in which it assesses them. Something is clearly wrong. The number of road schemes that have gone ahead in that time has been significant. I refer to the M77 and the projects that are starting, such as the southern orbital road in Glasgow and the upgrading of the A8 to motorway status. There is a belief that the financial criteria that are applied to railway schemes—even minor ones such as the Stirling to Alloa link—are biased against such schemes going ahead.

The basic problem is that the Scottish Executive—and, previously, the Scottish Office—has a large number of people who are involved in building or designing road schemes and only a small involvement in rail infrastructure. Things are changing slightly, but we are not sure that they are changing enough.

Road-building projects in England were hived off into a separate agency, the Highways Agency, whereas trunk road design in Scotland still comes under the authority of the Scottish Executive. Rail appears to be only a small part of the total organisation. That situation must be changed before we can make progress.

**Maureen Macmillan:** So there has been a cultural attitude against rail in the past.

**John McCormick:** Yes—that is what we believe.

**Bill Ure:** It is fair to point out that the impending privatisation of the railways was known in 1989 or 1990, which put a blight on a lot of planning and a lot of the schemes that were being taken forward.

The fragmented nature of the industry makes it very difficult to implement projects such as electrification. Who benefits? Who owns such projects? Such a project would be a substantial disbenefit to a train company that had just bought in a lot of diesel trains to gallop up and down between Aberdeen and Edinburgh. If it were announced that that line was to be electrified, that company would not be too happy, as it would then have to buy a whole raft of new trains.

Railtrack does not have an incentive to electrify. Doing so involves a substantial capital investment, which it would recoup through track access charges to the train operators, who could put their hands up and say that they do not want electrification, as they have excellent trains that do the job in the same time. It is difficult to bring people together for projects of that nature, and electrification is probably the most extreme example of that. It is a matter of working out who benefits from projects and what good is done by them.

Under British Rail, the organisation benefited. Of

course, a lot of splendid fudging went on, and things were written in to make projects all right on the night. Projects were usually accompanied by a rationalisation of track and signalling, some of the disbenefits of which we have been reaping over the past few years. Schemes financed themselves under BR in a way that they do not now. BR was a monolithic organisation, as compared with a fragmented industry, in which it is often difficult to see who benefits from improvements.

**Maureen Macmillan:** How do we get over that problem of a lack of incentive and make major changes to the infrastructure?

**Bill Ure:** The Strategic Rail Authority has a role to play. It is sensible to make investments in upgrading line speed and improving signalling in order to increase capacity. A train operator wanting to introduce a service at 15-minute rather than half-hour intervals will need to carry out a baggage of improvements to track and signalling. That can be based on a reasonable business case: if a company currently carries X million passengers a year and then doubles the frequency of the service, it will carry X million plus. That is in alignment with transport policy objectives.

Members will appreciate the difficulty in bringing such things together, and it was partly in order to do that that the Strategic Rail Authority was set up. Prior to its inception, nobody carried out that role. People just talked round in circles to each other. One person might say that it would be a good idea to do something, everybody else would agree that it was a good idea but then everyone fell out over who was taking the risk, who was paying for it and who was to get the benefits. It is not easy.

**John McCormick:** There are some quite minor infrastructure projects, such as the introduction of an additional loop on the Inverness to Aberdeen line, which would allow hourly services to be operated along it and putting in an additional loop on the single line between Glasgow and Kilmarnock. Those proposals have been discussed for years if not decades, as in the case of the Alloa line.

In the meantime, it is possible to operate only one train an hour on the Glasgow to Kilmarnock route. That does not stop the Scottish Executive digging up enough money to extend the M77—and it is now to be extended down to Fenwick. The cost of building a new motorway is many orders of magnitude greater than the cost of putting in a single passing loop on a railway.

The way in which the financial investigation of the rail schemes is carried out needs to be examined. Schemes are examined on a financial basis, without enough account being taken of the potential environmental benefits, which is possibly

why they are being bounced. The Larkhall to Hamilton scheme has been in the stocks for 10 years or longer—it is just not happening.

**Fiona McLeod:** Given the evidence that we heard earlier and the comments that you have made, do you think that a lot of rail schemes are not happening because the Scottish Executive can merely give directions and guidance on them? Would it be better if the power to decide on railways were devolved to Scotland, as it is to Northern Ireland? Would that achieve the rail links for which you have been looking for years?

**John McCormick:** That would help. I suspect that decisions on schemes come down to the financial analysis and criteria that show that they do not justify being carried out, even though people can see that they should be carried out. There is no reason why the Inverness to Aberdeen train service should not be improved to an hourly service because, as members know, the roads are quite bad and the train service is well used. However, it cannot be upgraded because of the lack of a single passing loop.

The Scottish Executive should have greater control over funding whatever needs to be done. It should possibly have greater control over a Scottish division of Railtrack, depending on how the future of Railtrack pans out. One of the problems is that Railtrack is allocating a lot of design and signalling staff to the west-coast main line and the channel tunnel rail link. Railtrack appears to be having difficulty in getting staff to work on projects in Scotland. That could be solved if the Scottish end were more independent.

**Bill Ure:** It is not the Strategic Rail Authority that is preventing the installation of loops on the lines between Aberdeen and Inverness and between Kilmarnock and Glasgow or the reopening of the Stirling to Alloa line. Issues such as funding militate against that. The funding has to come from somewhere and it could come from the Scottish Executive now; we do not have to wait for reorganisation or greater autonomy.

John McCormick talked about scarce resources, primarily for track and signalling engineers. There is a worldwide shortage of such engineers; the shortage does not affect just this country. If Railtrack Scotland were independent, it could retain staff, possibly even track staff, provided that it was willing to pay the market rates. The risk is that the grass is always greener on the other side of the fence. People can make a fortune as consultants working on rail projects in China, so why should they stick around working on the Stirling to Alloa line when they can build a 1000-mile main line in China?

That, in part, is why I believe that the Strategic Rail Authority was right to concentrate initially in its

discussions with the Executive—the ideas have come from the Executive—on things that do not depend on scarce resources, such as providing additional rolling stock to make trains longer so that there is a chance of giving people a seat. It is unfortunate that in the rationalisation of the 1970s we shortened many platforms. We are now putting those platforms back, which does not involve signalling engineers, as it is basic civil engineering. Over the next two or three years, it is sensible to address the basics, such as overcrowding, about which passengers are expressing concerns. Eventually, the Strategic Rail Authority will be able to move to bigger and bolder schemes, but it is limited in what it can do with regard to tracks and signalling.

**Maureen Macmillan:** You highlighted the need for improved frequency and fully connected rail timetables that link with those for other modes of transport. How feasible is that suggestion? It was suggested that we start on a small scale, but when we get to where the bottlenecks are and the single-track routes, will not the cost of rolling out the measure throughout Scotland be prohibitive?

12:15

**John McCormick:** We are keen to have an integrated timetable based on a regular interval pattern throughout Scotland. For a couple of years during my younger days, I worked in Geneva, where I travelled on public transport. Everything that one needs to know to get anywhere in Switzerland—whether by bus, train, cable car or steamer—is contained in the Swiss rail timetable. All the services are timed to connect, usually on an hourly or half-hourly basis. In rural areas, connections may be less frequent.

We might need to increase the frequency of off-peak services around Edinburgh and Glasgow. We do not advocate increasing problems at bottlenecks by running extra trains at peak hours, but we could operate extra trains off peak without adversely affecting the reliability of services or having to spend money on the track. That would allow us to run half-hourly services where hourly services are running at the moment. Near the centre of towns, services could be run every 15 minutes.

Problems would arise on the Aberdeen to Inverness and Kilmarnock to Glasgow lines, where loops are needed to allow services to run more frequently and reliably. I do not agree with Bill Ure that those small works would be difficult to carry out in the short term. Some of the projects should be included in the franchise renewal process, so that after a couple of years the operator would be able to run more frequent services on single-track routes.

**John Scott:** Some of us might be prepared to lobby for a Kilmarnock loop to reduce traffic congestion on routes from Ayrshire to Glasgow. What would be the cost of building such a loop?

**John McCormick:** The cost of building a Kilmarnock loop would be about £10 million. A dynamic loop, rather than a single loop, is proposed, which would allow trains to pass one another.

**Bill Ure:** I thought that the cost of the project was about £8.5 million. A commitment has been made to build the loop over the next five years. In the incremental output statements—as they are glamorously termed—of the Strategic Rail Authority, a commitment has been made to completing both of the projects that have been mentioned in the next five years.

**John Scott:** So the cost of building a Kilmarnock loop is between about £8.5 million and £10 million.

**Bill Ure:** Yes. A commitment has been made to building such a loop in the next five years.

**John McCormick:** Building a loop on the Inverness to Aberdeen line would cost less than £8.5 million, because it would be an ordinary rather than an extended loop.

**Maureen Macmillan:** I can see that rail services might interconnect, but what about multimodal transport? Would it be feasible to construct a totally integrated transport system, involving Caledonian MacBrayne, NorthLink ferries and bus services?

**John McCormick:** The first step towards the creation of a fully integrated transport system would be to put in place a national regular-interval timetable for the railways. To take a rural example, local buses from Aviemore to Grantown-on-Spey could be timed to arrive at Aviemore station every hour, to coincide with the arrival of trains. A national regular-interval timetable for the railways would form the backbone of any integrated transport system.

There are difficulties in creating such a system because of bus deregulation. Someone could work out how to change the way in which buses operate to ensure that the bus companies were able to participate in an integrated transport system. That task could be performed in parallel with work on the ScotRail franchise. If the Government is serious about having an integrated transport system in the future, it should build that into the franchise requirements. The successful bidder should have to supply an integrated, regular-interval public transport system throughout Scotland, to which bus links could be fed in at major regional interchanges.

**Nora Radcliffe:** What is your perception of

integration in the current rail timetable? I commute from Inverurie to Edinburgh through Aberdeen. It seems that an awful lot of the trains do not connect—I can get to Aberdeen in time to catch a Glasgow train, but the Edinburgh train will have left 10 minutes previously.

**Bill Ure:** That is right—the trains do not connect. The current services have grown up in a relatively fragmented way since privatisation. Some services connect and some do not. It is great if one happens to be lucky. It has not been mentioned that the Strategic Rail Authority must play a role. The capacity of many lines in this country and elsewhere is not used to the optimum.

The SRA has a role to play, for example, on the east coast line from Edinburgh to Aberdeen. ScotRail, Virgin—there will be more Virgin services from September—and GNER all operate services on that line and they all have random, shambolic calling patterns that do not make sense. Those patterns have been derived for good reasons at particular times to suit the interests of the company involved. The GNER calling pattern is a relic of BR Intercity; it has not changed much. One or two calls have been added.

The Edinburgh to Aberdeen line is not used to its full potential. The journey times are prolonged because of the excessive number of calls that trains make. Some of those calls are made by trains, such as high-speed trains, that have poor acceleration. HSTs are not designed for stopping on a regular basis. A rationalisation of calling patterns could offer substantial improvement. It would take a body such as the SRA—encouraged, perhaps, by the Executive—to facilitate that sort of thing.

**John McCormick:** We have thought about how an integrated timetable could work. You mentioned the example of the Inverness to Aberdeen trains not connecting with the Aberdeen to Edinburgh trains. Given that Aberdeen is a through station, surely the obvious thing to do—if it were possible to have an hourly frequency between Aberdeen and Inverness—would be to operate the trains right through Aberdeen, which would mean that passengers would not need to change. The same type of train is used on the lines to either side of Aberdeen.

**Nora Radcliffe:** Some of the trains connect, but when one arrives in Aberdeen from the north train, one often has the choice of a train for Glasgow or a train for Edinburgh, but not both. Perhaps it would be sensible to run the service to Dundee and then to split it there.

**John McCormick:** If the people in the north-east of Scotland think that a through service is a good idea, why should not that be included in the franchise specification? I appreciate that, as Bill

Ure said, we do not want to make the specification too specific, as that might prevent all the franchise bidders from being able to offer what they think is best. However, surely the franchise specification should tie in with local authority priorities. It would be possible to get the Aberdeen crossrail service off the ground by having an hourly Inverness-Aberdeen-Edinburgh service and by extending the Glasgow to Aberdeen trains out to Inverurie on an hourly basis. That would provide a half-hourly service—if one timed it right—between Inverurie and Stonehaven or Dundee, for example. Rather than having a franchise document that is too general, I would be happy for such a specification to be made, if the regional authority thought that it was a good thing.

**Maureen Macmillan:** My ambition is for a TGV-type train to run from Inverness to Edinburgh via Aberdeen. Unfortunately, we will never have such a service that goes via Aviemore.

What are your principal comments on the draft directions and guidance for the replacement of the ScotRail franchise? In particular, will you comment on why you consider that a substantial reform of fare levels and structures should be included?

**John McCormick:** The cost of motoring, which has been coming down over the years, is strongly affected by Government policies on fuel taxation. If the Government decides not to put up fuel taxation because it wants to be voted in by the car lobby at the next election and if, at the same time, there is no limit to the level at which public transport fares can be fixed, it is obvious that any transfer between car travel and public transport will go the wrong way. As time goes on, it will be perceived to be cheaper to use one's car.

If the Government is not in a position to introduce road pricing or to increase fuel tax to dampen down demand for cars, the only alternative that is open to it is to ensure that public transport fares are kept at an artificially low level, so that public transport does not become prohibitively expensive.

That is the point that I was trying to make about the fare levels. We would like the franchise deal to include some kind of definition of maximum fares for each route that was related to the marginal cost of using a car. Of course, that would increase the cost of the franchise, so the Scottish Executive might not be keen on such a proposal. However, the alternative would be to increase the fuel tax on cars and become unpopular with the motorists.

**Bill Ure:** It strikes me that, given the situation of constrained capacity that affects many lines in Scotland just now, it would not be sensible to depress fares even further as it would attract more people on to trains because they would be cheaper. The time to do that would be when there

is more capacity, which is what the railways do at the moment with off-peak pricing. The time to lower the fares is not when people are required to stand but when there is sufficient capacity.

**Maureen Macmillan:** The lowering of fares has been successful on the commuter services in and around Inverness. A really cheap fare has been offered that has led to the train service being well used. I find the fares structure on the railways just incomprehensible. I never seem to be able to get a cheap fare.

**Bill Ure:** Basically, the fares structure is incomprehensible. BR put together a fares structure that was designed to do particular things. During the last 20 years of its existence, BR's objective was to reduce the subsidy that was paid by Government for the provision of rail services. That is why BR became a world leader in market segmentation, market pricing and taking things down. The fares structure was pretty complex, but it was at least run by one outfit. At privatisation, it was suddenly thrown open to 25 different outfits to do the best that they could. There is no doubt about the fact that the fares structure is a shambles. It is extremely difficult for staff to deal with anything other than modestly simple inquiries.

The Association of Train Operating Companies and the SRA have boldly decided to take the issue on board but, my goodness, it will keep them working for a while.

**The Convener:** That brings us to the end of questions for this panel of witnesses. I thank Bill Ure and John McCormick for their contribution. I do not know whether Bill Ure's lack of backing for Des McNulty's suggestion about bullet trains upset Des McNulty, but he has left the meeting already.

**Bill Ure:** I was looking forward to arguing the point with him further, but there you are.

**The Convener:** Your contributions were worth while as they introduced to a high degree into our deliberations the perspective of rail users and public transport users.

## **Local Government in Scotland Bill**

**The Convener:** Agenda item 5 is consideration of the committee's role as a secondary committee for the Local Government in Scotland Bill. We have been identified as a secondary committee because the bill contains a section that enables the setting up of concessionary fares schemes for elderly people in Scotland. The clerk's paper suggests that our interest in the bill is probably so marginal that it might be better if the Local Government Committee and the Equal Opportunities Committee were to take evidence on that aspect. I therefore suggest that we decline the opportunity to take evidence formally and recommend to the Equal Opportunities Committee that it consider the aspects of the bill that relate to concessionary travel for elderly people and the equalisation process therewithin. Is that agreed?

**Members** *indicated agreement.*

**The Convener:** The press and public have already evacuated, but I thank them in their absence for their presence here today. We move into private session for agenda item 6.

12:29

*Meeting continued in private until 13:35.*

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