

TRANSPORT AND THE ENVIRONMENT COMMITTEE

Wednesday 19 June 2002
(Morning)

Session 1

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TRANSPORT AND THE ENVIRONMENT COMMITTEE

21st 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

John Angell (South East Scotland Transport Partnership)

Hazel Martin (Strathclyde Passenger Transport)

Frank Roach (Highland Rail Partnership)

Councillor Alistair Watson (West of Scotland Transport Partnership)

Iain Wylie (Strathclyde Passenger Transport)

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 19 June 2002

(Morning)

[THE CONVENER opened the meeting in private at 09:34]

09:47

Meeting continued in public.

Items in Private

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

Item 4 is discussion of our draft response to the Scottish Executive on the draft directions and guidance for the replacement of the Scottish rail passenger franchise. Our response will be made public in due course, but I seek members' agreement to consider that item in private. Is that agreed?

Members indicated agreement.

The Convener: Item 5 is consideration of our forward work programme for the latter part of this year and the early part of 2003. That document, too, will be made public later, but I seek the committee's agreement to consider the item in private.

Members indicated agreement.

Rail Inquiry

The Convener: Item 3 is our rail inquiry. I welcome the latest panel of witnesses. Iain Wylie is the director of corporate services for Strathclyde Passenger Transport. Hazel Martin is the head of rail franchise management at Strathclyde Passenger Transport. Councillor Alistair Watson is from Glasgow City Council and is currently the chair of the west of Scotland transport partnership. Jeremy Mortimer is from WESTRANS.

We will address some of our questions to individuals, but if a question is not directed at you and you feel that you have something to add, you should indicate that and I will try to bring you into the discussion. Adam Ingram will begin our questioning.

Mr Adam Ingram (South of Scotland) (SNP): Good morning, everyone—

The Convener: I apologise. Callum Thomson, the clerk, has just reminded me that each organisation would like to make a brief opening statement. I was going to deny the witnesses that opportunity. I invite Hazel Martin or Iain Wylie to make an introductory statement on behalf of SPT.

Iain Wylie (Strathclyde Passenger Transport): Given the fact that all the bodies that are present represent regional interests in different ways, it is worth saying that Strathclyde Passenger Transport is different in having a statutory responsibility for the rail services in our area. We have had that statutory responsibility for more than 25 years, and it dates back to the Transport Act 1968. We have been deeply involved in railways over the years.

Until refranchising, the various incarnations of Strathclyde Passenger Transport Authority and Strathclyde Passenger Transport Executive have invested some £400 million in railway assets in our area. We have continued to invest heavily in car parking, park-and-ride schemes, closed-circuit television and rolling stock refurbishment. We continue to have a right to specify services in our area, which we have taken very seriously, and we are a co-signatory to the franchise. We therefore have quite a lot of experience in the area. We feel that we have contributed considerably to the development of the suburban rail network and, I hope, to some of the cross-boundary services that have been made viable by the inclusion of our service.

The Convener: Thank you. I apologise to Mr Mortimer—I was misadvised about his first name, which is, in fact, Rodney. Many apologies for that.

I invite Alistair Watson to make an introductory statement.

Councillor Alistair Watson (West of Scotland Transport Partnership): I share SPT's view of what it has contributed to the industry and what it can contribute in future. The west of Scotland can be proud of its record and of what SPT has contributed to the railway industry. On many occasions, it has saved the network that many of us use. I welcome the opportunity to give evidence to the committee on the future of the industry.

The railway industry is at a critical stage, and investment in infrastructure and additional capacity must be the ultimate objective to ensure the long-term future and growth of the industry. The railways may be a form of transport that was invented in the 19th century but, with the proper investment, they can provide the answer to our transport problems in the 21st century. I have here two historical documents that were published in the early 1960s and the early 1980s—the Beeching report and the Serpell report. I am sure that members have heard of them. In my view, both documents lack the vision and conviction necessary for investment in the railway network.

Unfortunately, the Beeching report was implemented and the railway industry has never recovered from the cuts that were made. Thankfully, the Serpell report was never implemented, although some of our more assiduous civil servants would have liked it to be implemented. The parliamentarians at Westminster, the trade union movement and others can take credit for the fact that that report was not implemented. The recommendations that will flow from the committee will be viewed by the public either as a unique opportunity and a real attempt to invest in the railway industry or as a missed opportunity.

Mr Ingram: I will address my questions to SPT initially. Notwithstanding the valuable work that SPT has done down the years, there have been recent difficulties in delivering rail improvements—for examples, delays in expanding rolling stock and long delays in delivering projects such as the Larkhall to Milngavie line. Could you elaborate on the reasons for those delays? What is the way forward? How can we break the logjam and get those projects up and running?

Iain Wylie: I will address the rolling stock issue first. The latest set of electric multiple units—the class 334 Junipers, as they are known—have been bedevilled by problems, and, unfortunately, they are not the only set of rolling stock with those problems. For about 15 years, there was little investment in rolling stock in the country as a whole. We expected that privatisation would switch on the tap and provide new rolling stock throughout the country. However, the manufacturers were not up to the task, and it has taken considerable work with them to deliver

rolling stock. We think that we will have a good fleet when everything has been tweaked, but rolling stock should have gone into service much more easily than has happened. That has been a source of considerable frustration to us.

Looking back, we can think of few fleets that were introduced without teething problems. The 170s, which ScotRail introduced on the Edinburgh to Glasgow line, have a considerable number of problems, but those problems can be dealt with more easily than the problems that we have encountered with the 334s. In many ways, the lack of investment led to a manufacturing industry that was not capable of rising to the challenge. I hope that now that there is a steadier stream of investment, we will begin to get better rolling stock. We might face an additional problem with the further changes that we expect to happen in the rail industry with the creation of Network Rail and whatever it might do. There might be another hiatus in investment in the industry, which would cause similar problems to arise in future.

The situation with the Larkhall to Milngavie line is one of considerable frustration to me, as I have been involved in the project since 1996—I picked it up when I came to SPT. We worked with Railtrack in many ways to try to deliver what was supposed to be, at the time, a private finance initiative project with a monopoly provider. That was an interesting concept and we tried hard to achieve it. We felt that we almost got there, but then all bets were off because the nature of Railtrack changed. Mainstream funding was made available, which meant that we could do the project in the normal way of grant funding Railtrack to provide the service. However, Railtrack then decided that it had problems with delivering the service, after many years of involvement in the project.

We had problems with signalling engineers, due to the west coast main line and the issues that arose from the Hatfield incident. We have our own relationships with signalling engineers, because of Glasgow underground. When we discussed the situation with the industry, we found that most of the participants put only about 50 per cent of their signalling services into Railtrack directly. In fact, we discovered recently that there is a surplus of signalling engineers in Scotland, as Railtrack has cancelled some major projects, such as enhancements at Waverley station, for budgetary reasons. It is now desperately trying to find work for those engineers in England. Therefore, that reason for the delay does not stand up.

The minister recently referred in the press to the other reason that has been offered: the performance regime issues at Edinburgh Park. When the regulator was going through the regulatory review, SPT's evidence was that the

new performance regime would not work and that it would lead to people not investing in the railway. Unfortunately, we have been proved correct. I hope that a way can be found round that problem—it should be possible to find a way of neutralising it—because the penalties will ultimately flow back to the Strategic Rail Authority and, possibly, to the Treasury.

There is a frustration that, although we might sort out that problem, there might be another hiatus because of the establishment of Network Rail. I attended a conference in London yesterday at which Adrian Montague, the new chair of Network Rail, spoke, but he said nothing to give me comfort that there would be no hiatus. The administrators have not allowed Network Rail to speak directly to Railtrack while it tries to put its bid together. When Network Rail takes over, it will have to understand what Railtrack's issues were with various projects and decide which projects to go ahead with, on a Great Britain-wide basis. It seems unlikely that Larkhall will be top of Network Rail's list. We felt that while Railtrack was in administration, there was an opportunity to carve out the Larkhall project and pass it on either to SPT or to another company. The administrators have the power to pass on Railtrack either as a single entity or as a number of separate companies, and a project would go to the company that was charged with carrying it out. We thought that that would be a sensible way forward and would get this long-awaited project off the ground.

Mr Ingram: Has the Executive not tried to encourage that to happen?

Iain Wylie: It has.

Mr Ingram: What point has the project now reached? Are you saying that we will have to re-examine it once Network Rail has been established? Will we have to wait for another year or couple of years?

10:00

Iain Wylie: I hope not. The earliest date that Network Rail can come into being is the end of July. For that to happen, the European Commission must agree to allow the subsidy that the Government is proposing to make. The SRA will underwrite Network Rail by about £9 billion. Given that the train operating companies are underwritten to the tune of only £2 billion, an interesting conflict of interest is building up. If we succeed in enlisting the support of the Scottish Parliament, we hope that we will be able to persuade the administrators of Railtrack to carve out the Larkhall project and allow us to get on with it. Later we would have an interface project with Network Rail, which would involve joining the

Larkhall line to the main railway infrastructure. We hope that we will be able to do that. We also hope that we will be able to run services at an increased frequency before the spur is connected. The money is available and we are keen to proceed.

The Convener: You may have noticed that last week in evidence to the committee the RMT indicated that it opposed driver-only operation on the Larkhall route. Has the manning of the service been discussed with the unions?

Iain Wylie: We found out about the RMT's concerns only after representatives of the union had given evidence and it was published in the press. This is an interesting case. A one-man operation has been in place on the line concerned since the 1980s. The route that we are discussing will be an extension of the runs that are currently made. If driver-only operation were not extended to the Larkhall line, a conductor would have to get on at Hamilton to run the service down to Larkhall. Given that that line is only a small spur, it will be safe and well controlled. We have not received any complaints about the safety of one-man operations. Reference was made to the fact that trains have CCTV coverage, which allows the driver to see what is happening. That arrangement works very well in our area. It has allowed us to introduce many more services than we would be able to run without it. We are happy to talk to the unions about driver-only operation, but this is not a new issue. We are talking about adding a few miles to a route that is already run as a one-man operation.

John Scott (Ayr) (Con): You mentioned the Juniper class trains in Ayrshire. How are they performing? Are they nearer to performing to expectations?

Hazel Martin (Strathclyde Passenger Transport): They are. At one stage, the trains were doing an incredibly small mileage per incident—only several thousand miles per incident, when they should have been doing about 10,000. We understand that the figure is now more than 6,000 miles per incident. ScotRail has started to accept more Juniper trains for service. I believe that 26 or 28 out of about 40 have been received. The number of trains that have been diagrammed has been increased from 11 to 18. We see the incident log every morning, and the number of incidents that are the result of failures of 334s in service is much reduced. We have been working with ScotRail on a more robust plan for Ayrshire, which involves having additional units available to allow a step-up arrangement. That, too, has contributed to the improvement in performance that has taken place over the past few months.

Mr Ingram: Problems have not been limited to the Larkhall to Milngavie link. Other long-running sagas include the plans for a rail link to Glasgow

airport and for a dynamic loop at Stewarton and Dunlop, to improve the Kilmarnock service. Those schemes never seem to go anywhere. What is required to get the show on the road?

Iain Wylie: Scottish Executive approval for the airport link would help, for a start. We have already carried out a feasibility study that shows that it is a viable project. The work has been repeated by the Scottish Executive, whose research will again show that the project is viable. We are putting in a bid to the public transport fund preparation pool in order to apply parliamentary powers to the project. With the support of the Parliament, we hope to make some progress.

Hazel Martin is better placed to talk about the dynamic loop.

Hazel Martin: Three or four years ago, the Strategic Rail Authority asked for our input on projects that would go forward as incremental outputs statement projects, as they are called. The SRA would underwrite those projects as part of Railtrack's review of charges. The project to put in the loop at Kilmarnock was one of our suggestions for funding and was taken forward on that basis. Since then, the costs have been developed to what Railtrack calls level 4 costs and the project has been caught up in the hiatus caused by Railtrack's problems with signal engineers. We have waited nearly a year to get approval for it to go to level 5, which involves getting costs up to tender level. Recently, after suggesting that this is one of our priority projects, we heard from the SRA that it has decided to fund Railtrack to get the project to level 5 costs. We are waiting for that to happen. When it does, the decision to go forward with the project can be made.

Mr Ingram: Would you like the Scottish Executive to be more proactive in cutting through the problems? Do ministers have the powers to do that?

Iain Wylie: Ministers always have powers to encourage projects to be delivered. We have noticed that the rail industry has brought projects forward that ministers have expressed a wish to have implemented. The recent opening of the Edinburgh crossrail project is a prime example of that. Unless ministers do that, projects tend to get bogged down in bureaucracy and the contractual matrices that we have in the industry. It does not make life easy when we are trying to complete a project and reviews of the performance regimes mean that the figures have to be revisited and so on. Progress has to be made within the five-year control periods and that is quite difficult in the industry at the moment. The Railtrack situation is not ideal and has caused a lot of the delay and the lack of focus in the SRA has been a problem. That could be brought into line quite easily—the directions and guidance go some way towards

doing that and could put more of a framework on what the SRA has to do when spending its money. The SRA has tended to think in UK terms in the past, but that is starting to change.

Councillor Watson: Like most of the politicians in the west of Scotland, I believe that that link should have been built some time ago. As Ian Wylie has said, there is a robust economic case for it. One of the reasons why we say that is that in the west of Scotland we presented an economic case for the completion of the M74. I know that that is nothing to do with the committee, but we were able to convince parliamentarians in the Scottish Parliament that there was an economic and strategic argument for the completion of the M74.

The economic case for a Glasgow airport rail link is equally strong. A link will ensure that Glasgow airport becomes the truly international gateway that it should be. It should be compared with airports that have successful rail links. I will compare it with Manchester airport. Both airports were conceived at the same time. Both grew during the 1980s. Manchester airport has a rail link, and it has been so successful that it has almost reached saturation point. We would like to have that problem in the west of Scotland. The economic case has been proven for some time. We are only waiting for ministers to say, "We agree with you."

Angus MacKay (Edinburgh South) (Lab): I hesitate to get drawn into the subject of the M74 extension and the associated expenditure, because it has been a subject of debate in a number of quarters, not necessarily solely because of the question of the value for money that it represents. You made a point about the impact that the expenditure on that project will have, in particular in economic terms, but there will also be an opportunity cost to other parts of the transport programme by investing that money in the M74 as opposed to elsewhere. That is a big issue; maybe we should not go into it.

First, one or two publications have recently reported on the desire for a Glasgow airport rail link, and on whether it is in competition with, for example, the completion of an Edinburgh airport rail link. Do you regard that to be the case?

Secondly, do you have a view on the mechanisms that should be used to determine priorities for investment in major infrastructure projects of this sort across Scotland, because clearly there is a range—not just in the central belt—of projects that we would all like to go ahead, but for which there are insufficient resources?

Councillor Watson: As a politician who serves transport in Glasgow, I have resisted getting into

the Edinburgh-Glasgow debate, and I will continue to do so. It is not healthy for the transport industry to involve itself in an either/or, Edinburgh versus Glasgow debate. Edinburgh has a just and viable case for a rail link, as does Glasgow.

Our priority has to be to focus on the enormous growth in commuter traffic in the central belt. If we are serious about dealing with that, all sorts of options are available, but we need to invest in the infrastructure. We know what the M8 is like, we know what the A80 is like and we know what the Edinburgh to Glasgow railway line is like. All those corridors are reaching saturation point, but options are available.

If we want to provide truly integrated links, there is nothing to stop us projecting the implementation of the Glasgow rail link at the same procurement stage as the M74 extension. We could then have true integration and give the travelling public the choice that they deserve. The Edinburgh-Glasgow debate is an issue that I have never been prepared to involve myself in, and it is not healthy for the country to continue with it.

Mr Ingram: Despite the reduced services that have operated since early this year, reliability problems have worsened on several SPT services—the north Clyde electrics line has been highlighted—while performance has improved on other Scottish routes. Why is that the case?

Hazel Martin: The original proposal from ScotRail to run an emergency service on north Clydeside involved a service based on a Sunday service. It rapidly became apparent that its assumptions were wrong, and it altered the service to base it on a bank holiday Monday service. That has proved to be slightly more robust. However, because the service has been thinned out and more people are trying to get on trains—albeit longer trains—the station dwell times have been a problem. That has been coupled with infrastructure problems. A number of temporary speed restrictions have been imposed by Railtrack at key sections of the route. That has meant that, over the past three or four months, performance has been far from ideal.

10:15

Iain Wylie: We meet ScotRail monthly to consider performance route by route, to see what problems have to be addressed. The delays on routes are measured and the results are still poor for delays of zero to five minutes, but for delays of zero to 10 minutes, the percentage is in the high 90s. In other words, the situation is recoverable—we just have to close the last gap. Speed restrictions on lines have not helped and, as Hazel Martin said, there is the dwell time.

In some cases, we feel that “professional driving”, as we call it, has been more careful

coming into and leaving stations than it may have been at other times. There is still a bit of a hangover from the industrial dispute in certain areas.

Mr Ingram: SPT and the Scottish Executive clearly differ on who should take the revenue risk in a replacement franchise for ScotRail. How do you feel about that?

Iain Wylie: I am not sure that we differ totally. The Strategic Rail Authority has suggested to the Scottish Executive that it would be better to pass revenue risk across to the operator. I think that that matter is being dealt with in the directions and guidance. The SRA is being asked to go away, work with us and come back with suggestions for improvements. We still believe that there are benefits to our taking revenue risks; indeed, that model has been adopted in the otherwise flawed public-private partnership of Glas—of London underground. I nearly said Glasgow there—*[Laughter.]*

We see advantages in having the power under the legislation to set fares in our area. During discussions with ministers, it became clear that, if we chose to set the fare but did not maintain the revenue risk, we would still keep the downside of any fares decisions. People were concerned about the fares fair policy that Ken Livingstone had in the past, which was driven by the desire just to get people on to the network, rather than by considerations of the overall economics.

We have used the revenue-raising powers to fund additional rail infrastructure in our area. We have the capital funding that allows us to go ahead and do things such as installing CCTV at railway stations and making various other improvements. All those improvements carry with them a revenue consequence. The money that comes in from revenue has allowed us to fund those improvements. We do not get any funding for that from our local authorities, or from the Scottish Executive's special rail grant.

If we introduce additional services, we pay the total cost. If we provide services at Christmas, on Sundays or in the evenings because of demand, we pay the total cost, we collect the revenue and we pass it back to the Scottish Executive. We retain funds only at the margins of our revenue decisions, and we use that money to fund such services. We have advocated that we should be allowed to keep all the revenue from those services and offset some of the cost. That would allow us to be more flexible in spreading benefits around the area.

Mr Ingram: You have been operating under severe financial restrictions. You have not been able to get a greater contribution from local authorities, have you?

Iain Wylie: We have had considerable discussions with local authorities. We are in the odd situation that we have a separate statutory duty—we are not a joint board or committee in which the local authorities bring together their powers. We have a separate statutory duty, but no means of raising funding. We go to the councils for the part of our budget that is not otherwise funded by the Scottish Executive. That is relatively small in real terms. The majority deals with historical debt from the modernisation of the Glasgow underground, so there is little room for manoeuvre. We ended up negotiating—I was going to say arguing—for six months over the sum of £300,000 between 12 west of Scotland authorities. Life is very difficult.

John Scott: My questions are directed to Councillor Watson. WESTRANS is a non-statutory body that exists alongside the statutory SPT, the Glasgow and Clyde valley structure plan committee and individual local authority responsibilities. Could you expand on the role of WESTRANS and whether it is time to develop a statutory regional partnership as a means of improving rail delivery within integrated objectives for the west of Scotland?

Councillor Watson: I want to make it clear that we support the continued existence of SPT as a statutory authority. I mentioned earlier that SPT has a record of which Scotland can be proud. Much of the railway network that we are in possession of is down to the tough political decisions that were taken by SPT in the difficult years.

WESTRANS is quite comfortable with existing alongside SPT. I would not want to endorse a statutory status for WESTRANS that would compromise SPT's operational matters. We can co-exist and we have a contribution to make to each other's work. Indeed, SPT is an associate member of WESTRANS and we are preparing a joint strategy. Our relationship is more than platonic—we get on very well.

John Scott: You are happy with that. Do you have any views on the proposals that have emerged from the central Scotland transport corridor studies? If there is still a significant funding gap in financing road and rail improvements, which projects should have the highest priority and what reliance should be placed on an earlier move towards earmarked road user charging costs across the central belt?

Councillor Watson: I do not know whether the committee is aware of Glasgow City Council's evidence on road user charging, which rejected it. We said clearly that while a trunk road network continues to run through the centre of our city, with 27 on and off ramps, it would be commercial and economic suicide to endorse congestion charging

within Glasgow's boundaries, leaving the trunk road network with a free run. We might return to that if the Scottish Parliament has a change of mind on the trunk road network.

On the priorities in the transport corridor studies, there are several issues relating to road and rail improvements that can be addressed. The M8 and the A80 require major upgrading and I welcome many of the recommendations on that. On the rail infrastructure and congestion that we are experiencing in the central belt, there are many options available if we are serious about addressing the large growth in commuter traffic between the central belt and the two cities. The committee has discussed extending the railway line beyond Drumgelloch to Bathgate. Much to my disappointment, I was personally responsible for lifting that line way back in the late 70s—I was only doing my job at that time.

Other options are available between the two cities. There have been discussions about the possibility of a route from Glasgow central to Edinburgh via Shotts, because there is plenty of capacity to expand usage on that line. The possibility of going from Glasgow to Waverley station via Carstairs was also discussed. We support the completion of the line between Drumgelloch and Bathgate. Unless we deal with the increase in capacity in the network, we will achieve nothing. New trains, new livery and new stations are fine, but unless we are prepared to make the tough decisions on investment and additional rail capacity, we will achieve very little.

The central belt is at the critical stage and given that the Ayrshire corridor is undoubtedly ripe for growth in the rail market, investment should be forthcoming for it.

John Scott: Thank you. That is certainly music to my ears. I would like you to expand on what you said. If my colleague Des McNulty were here, he would be talking about Glasgow crossrail. In paragraph 10 of your submission, you cite the need to link Ayrshire to the east coast. Will you expand on that?

Councillor Watson: I have been a campaigner for Glasgow crossrail for more than 25 years, long before I became a politician through the trade union movement, so I am well versed in it. SPT is also supportive of Glasgow crossrail. SPT was so supportive that it deposited a parliamentary order in 1995 for the completion of crossrail. Funding was never forthcoming, but I believe that if we are serious about providing north and south links, and possibly linking to the airport, Glasgow crossrail has to be completed. A lot of people travel from Ayrshire to the east of Scotland, but having to change trains or buses makes that more difficult for them. If we can make it easier for the commuter—this is where choice comes in—we

might make the modal switch that we all desire. We will get people out of their cars and on to public transport if we make it easier for them. With the right investment in Glasgow crossrail, we can achieve the necessary switch.

Robin Harper (Lothians) (Green): My first question follows on from what you have been saying. We have heard evidence that lack of funding and defects in structures contribute to substandard rail delivery. Do you have a view on the relative importance of those factors?

Iain Wylie: The lack of investment over many years has had a major impact on where we find ourselves now. The problem is that, given that everything has come home to roost at one time, it will cost an incredible amount to maintain the present railways, let alone make enhancements. That constrains future development and our ability to increase capacity. We would like to run more trains on the network, but if the existing trains cannot operate effectively because of the state of the track, we have a problem.

The Edinburgh to Glasgow 15-minute service is a prime example, because, theoretically, it should run easily on the current infrastructure without causing disruption. However, the combination of problems with the infrastructure and train defects has caused a problem. Even when the train defects are solved, we will still have to deal with the infrastructure problems, the speed restrictions and the interaction at various junctions that delay another raft of trains to Edinburgh and Glasgow from the Stirling area.

We have to think about what areas we want to invest in to bring the current infrastructure up to standard. The conference that I attended yesterday was quite bleak. The industry spokesmen all said that restructuring the industry was all well and good, but they did not see enough money on the table to make the system work. They have projected tens of billions of underfunding by about 2011, a lot of which is on the infrastructure side.

How are we going to achieve the required balance? How are we going to get Network Rail to deliver a system that will be up to the standard that we require to run the current railway? The frequency enhancements would be a nice easy issue to deal with. We could make the trains more frequent and improve the usage of the current capacity that should be there by driving out the maintenance problems. That would be a good place to start. It would be nice to do enhancements if we can, but if we make enhancements and bring more stock on to a network that cannot cope, we will be exacerbating the problem.

10:30

Councillor Watson: Iain Wylie is right to say that the industry has suffered from chronic underinvestment, which goes away back to just after world war two. Successive Administrations failed to grasp the nettle.

In the early 1950s, the Tories had a programme of renewal for after the steam era, but it was never followed through. We ended up with the Beeching report, which was designed to make the railways pay. That never worked; we know how unsuccessful it was and I have already said that the industry never recovered. In the early 1980s, the Serpell report would have wiped out the Scottish rail network. Thankfully, it never happened.

Quite frankly, we have been shunting along from siding to siding, arguing for the necessary investment. That is why I place so much emphasis and importance on the existence of statutory authorities such as SPT. If it were not for those authorities, and other organisations up and down the country, we would not have a rail network to discuss.

If we are serious about investing in one of our greatest assets, we have to put our hands in our pockets and invest in our railway network so that our transport network will become competitive and our country will become economically competitive. The public will take note of that challenge, and if our parliamentarians do not make the right decision, they will reap the whirlwind.

John Scott: I do not want to be political about the issue, but you cite the Conservatives as not having made the investment over the years. If the case is so compelling, why have successive Labour Governments not made any investment either?

Councillor Watson: I do not wish to take up a political challenge, but I mentioned that successive Governments of both persuasions had failed to make the necessary investments. It is unfortunate for John Scott that the two documents that I am talking about were compiled by Tory Administrations. One plan was implemented and the other was not. However, to be purely bipartisan, it is fair to say that Administrations of both political parties have failed to recognise that the industry is crying out for investment, and it has not had it.

Iain Wylie: One of the areas of concern is the current structure of the rail industry and the way in which it is funded, which was designed for a rail industry that was going to be in a steady state or in a declining. The structure was not designed to cope with an increase in capacity and more people wanting to use the railways. It is worrying that we have not yet addressed that issue. The Network

Rail structure will not address the issue either. It is more likely to centralise power with the Strategic Rail Authority, and I am not convinced that that will deliver what we need.

Hazel Martin: Railtrack is funded to replace things on a like-for-like basis. We therefore have the absurdity of Railtrack coming to SPT wanting to replace the signalling in Glasgow central on a like-for-like basis, and taking no cognisance of provision for additional capacity, longer trains, additional routings in and out of the station, or signalling to allow for increased bi-directional working. We have the opportunity to add to any project, but Railtrack's view is that it is funded to replace things on a like-for-like basis and that is what it does, unless anyone steps in and comes up with more funding. It has taken an awful lot of persuasion to get Railtrack to change its initial view that it has a like-for-like budget.

Councillor Watson: I want to touch on an issue with which I was personally involved back in the 1980s when the then secretary of state, George Younger, decided to electrify the Ayrshire line. The investment was welcome and patronage on the Ayrshire corridor substantially increased. However, a decision on the signalling infrastructure that was taken then was wrong. It was decided to go for three-aspect signalling instead of four-aspect signalling, which would have increased capacity. That was a short-change measure that was taken by the then British Railways Board. The decision did not plan for growth. If a brave decision had been taken and perhaps an extra £2 million added, the Ayrshire corridor would have been able to cope better with the projected growth. If we are to deal with the projected growth in the Ayrshire corridor, signalling that is not too old must be dealt with.

Robin Harper: Iain Wylie's comments bring me to delivery structures. At least five suggestions have been made for changes in structures for rail delivery. If the witnesses do not mind, I will go through those suggestions and invite them to comment on their preference.

The suggestions include vertical integration within the ScotRail franchise; making the SRA an agent of the Executive for infrastructure planning as well as franchising; a Scottish not-for-profit rail maintenance company that is limited by guarantee as Railtrack's successor in Scotland; direct Scottish Executive ownership of rail infrastructure; and an all-Scotland passenger transport executive or creation of additional PTEs to cover areas that are not covered by the existing SPT in the west of Scotland. I apologise for outlining those alternatives, but I am sure that they have passed before your eyes before. Do you want to comment on your preference?

Iain Wylie: At this stage, I would prefer as little

change in the industry as possible to try to get it back on track, as it is in a mess. We need to try to make what we have work. Further change on top of that is not a good idea. We need to look ahead and ask how we can do things better.

Network Rail will be a big change. It will look at everything in a new way. It must sort out its relationship with maintenance contractors and take more control in that respect. It will have to think about where to invest. There is an idea that it will do minor enhancements—up to £50 million has been mentioned in that context—and everything else will be done as a special purpose vehicle. Yesterday, somebody compared the special purpose vehicle to Lewis Carroll's snark—nobody has ever seen one, but a lot has been heard about them. That is of some concern.

There are many subsets of vertical integration. There is total integration, whereby somebody accepts all the track ownership and maintenance and runs the rail services. That is a big step and it would be difficult to get somebody who is not heavily publicly subsidised to take on that option. If there is such integration, franchising goes out the window, as there needs to be a long-term relationship. That brings in the regulatory procedure. It would be like taking the train operations into the asset base rather than the other way around. The option must be thought about carefully.

There is also vertical integration on the operational side, whereby day-to-day maintenance is taken over and the asset would still be owned by somebody else. That option would probably be most attractive to the train operating companies, as they do not have many assets. They lease their trains and the stations from Railtrack and lease the paths on the track with track access charges. They are not bodies of great substance. If they were asked to take on such an option, they might say that it might be better if they had some control over maintenance, as they would be able to prioritise the routes on which speed restrictions are lifted.

The main advantage of vertical integration is probably that it would get rid of the performance regime, the blame attribution and the money flows backwards and forwards. It would be a good idea to consider how we would get round that. I do not know whether vertical integration is the solution. Vertical integration must be fine-tuned before we consider it.

The SRA is basically responsible for planning infrastructure. To all intents and purposes, it operates GB-wide. How should that be taken down to the next stage? A GB body may not be the body to provide a Scottish focus. Perhaps something else is needed to give advice on the options for planning the railway that the Scottish

Parliament wants for Scotland.

The SRA will have to work to directions and guidance from the secretary of state. The Network Rail situation will give the SRA a mixed interest, because the SRA will pay £9 billion towards the cost of that company and will underwrite any borrowings that are raised by guarantees, because there is no way that the City will deal with something that is not substantially underwritten, given the recent situation with Railtrack and its sudden administration. The SRA will play an interesting role that involves many conflicts. I am not persuaded that that is the platform on which to base the planning for Scotland's railways.

It is claimed that Network Rail is not for profit—I have always thought that that phrase is wrong. Additional money must be raised through the company for investment, so we are really talking about a not-for-dividend company. In theory, a separate body could be created for Scotland. Much debate has taken place about whether the two railways can be separated. We said in our submission that there are only two points in the railway network where the two systems join. The minister responded that a separate body could not be created because railways are more complicated than roads. As railways are more complicated, it may be easier to create another body, because all the control mechanisms would have to be in place to ensure access. If we did not have them, many things in Europe would not work. Railways in Europe constantly interface.

Today, people are wondering whether air traffic control should be Europe-wide or whether we can continue to join up the bits. All the models can be developed. There is nothing that cannot be delivered. In the end, the issues are cost and which option is most cost-effective. Nobody has costed any scenarios. There is a cost to change every time that it happens and it takes a long time to recover that money. A major change is about to be imposed on us. How best do we make that fit Scotland's needs?

Scottish Executive ownership of all rail assets has been suggested. If you want that, that is fine. Even Network Rail says that although it is going into that, it does not know the asset base, because Railtrack cannot say what it is. Network Rail does not know what the likely costs are, because it does not know where the assets are or their states of repair or disrepair. We saw what can happen overnight with Hatfield, where an endemic fault was suddenly found in the network.

It is inevitable that the railway will be underwritten by the public sector. No private sector body will take on the risk. The Parliament's involvement is a matter for the Parliament. Does it want to own the asset? Does it want to direct the use of the assets, while somebody else has

ownership? There are many ways to cut this. You must examine the issue, the costs and which is the most cost-effective system. We should not rule out any model.

An all-Scotland PTE would be easy to achieve—we would just change our boundary. The legislation for that exists.

We like to think that we contributed to what happened in the west of Scotland. Obviously, the model was a conurbation one, but we extended it to rural areas and showed that investment can be made in such areas. The important point is how such investment is funded. It was probably easier when there was a regional council with a fairly large budget, which could decide whether to spend money on roads or on public transport. Over the years, the strategy tacked backward and forward between building major road schemes and complementary public transport schemes. That corridor approach continues to be important in Scotland. I could not say whether there is a right solution, such as a PTE or an SRA. I would like to see what is coming and what we can do with it.

10:45

Councillor Watson: There is not a lot that I can disagree with in that, but I can perhaps add a couple of points. The prospect was thrown up of emulating SPT elsewhere in Scotland, such as in the east of Scotland and the Highlands and Islands. As I have said, the track record of SPT's investment portfolio shows that it is a successful model, as similar models are elsewhere in the UK. The model works well with local and regional authorities and with the Government. Strathclyde PTE's main difficulty is that its funding is not equitable with that of PTEs south of the border. If we are going to make a difference in large capital projects, statutory authorities such as the SPTE have to be properly funded.

Vertical integration did not work all that badly before privatisation. That was the structure in British Rail, as I am sure members know. In our current position, we need to consider all models, but we need to move carefully. One of the most frustrating aspects of privatisation was the enormous assets that the British Rail Property Board had at its disposal; it was one of the largest landowners in the United Kingdom. The Westminster Parliament decided that the organisation was ripe for flogging off. Let us not beat about the bush. Large parts of real estate, which were owned by the British Rail Property Board, are now owned by Spacia (2002) Ltd, which is the property arm of Railtrack.

Spacia is a buoyant organisation; it is a Railtrack arm's-length company and has a healthy return because it exists to promote its property portfolio. I have asked many questions at conferences up

and down the country about whether Railtrack was serious about improving the infrastructure or whether it was more concerned about promoting shopping centres and selling off its property. I think that there is a lot of substance to the latter claim.

When I was in Brussels for a few days last week, I attended an eye-opening presentation by Norfolk County Council on the promotion of rail freight in the Norfolk area. The council experienced enormous difficulties with Railtrack in acquiring and securing land for railway infrastructure. From Railtrack's point of view, it might have been more advantageous to flog the land to the nearest Sainsbury's or Tesco. That is a real problem for us. We have an infrastructure owner that has a separate property arm, which could have been a good source of income. To echo Iain Wylie, we are in for a hard slog and we must realise that the rail industry requires public sector investment.

The Convener: I have a question for Iain Wylie. Your analysis of the various options recognises that the costings behind some of the proposed theories are sketchy, to say the least. The evidence that the minister gave last week was based on information that he received from Railtrack that a substantial deficit would result from a Scottish-only infrastructure company. The figures were based on the maintenance that Railtrack carries out and the track access charges that it receives. Do you accept that evidence? I think that the figure that the minister quoted was around £130 million.

Iain Wylie: I never accept any of the figures that I get from Railtrack, as they change within a month. It is hard to get behind the issue because of the non-transparent way in which Railtrack receives its funds. The rail industry is a bizarre set-up. In business dealings, it is usual for there to be one main contractor and a plethora of subcontractors. People tend to pay the main contractor, with which they have a relationship, and the main contractor then pays the subcontractors smaller amounts of money for dealing with smaller parts of the job.

However, in the rail industry, we probably pay what appears to be a large sum of money to the train operator's subcontractor, very little of which sticks with it. The majority of the money goes to Railtrack and the rolling stock leasing companies, with which the subcontractor has a contractual relationship. The public sector effectively loses control of the money, as it is spent at arm's length.

SPT has a particular interest in that, as in our area the trains are run for our benefit. However, we cannot become part of industry bodies such as the Association of Train Operating Companies, which decides how the receipts for shared routes

are to be carved up between the companies. We have to ask ScotRail to do that for us at arm's length and in a certain way, which means that we are a small voice in a big grouping. I worry about our relationship with Railtrack. I worry that, by filtering the money through the train operator, we are pretending that the network has been privatised. We need to examine that, in order to get a better handle on how the money is spent.

It is difficult to trace the way in which track access moneys are raised under the regulator's regime. Economists devised the regime and, as no two economists agree, trying to understand it is like wading through treacle. I can, however, give the committee a few snapshots of costs. For the year 1991-92, the British Railways Board claimed that it spent £17 million on track maintenance. The sum may be a reflection of underinvestment by the board, but that was the audited figure.

In 1996-97, the figure for fixed track access went up to £56 million; the variable track access charge, which is dependent on usage, was £1 million; and the long-term track replacement charge was £10 million. There was a lot of movement in those five years. It is difficult to say whether the considerable amount of money that was put into the network gave rise to a deficit. Current Railtrack figures might include track replacement that resulted from the Hatfield situation, which was unforeseen.

There has been some discussion about Dolphingstone. The question whether responsibility for funding for that route would fall on the Scottish Executive is an interesting one. The Dolphingstone route is predominantly used by Great North Eastern Railway. It follows that responsibility falls on whoever was funding that franchise as opposed to whoever was funding the ScotRail franchise. The committee has to examine how the network is put together.

Many people have suggested that we will have to subsidise the costs of major defects on a GB-wide basis, as no part of the country could take on that cost alone. That does not mean that it will be impossible to take on the day-to-day running of the railway. That will be possible, if the Treasury underwrites catastrophes—it is unreasonable to pass on the liability for such eventualities to the private sector. No public sector model would be able to take on risk unless it had a portfolio of risks, which can only be done on a GB-wide basis.

By and large, the expenditure that will have to be made on maintenance or track enhancement will be relatively minor, which means that it can be controlled. At the moment, we have the track access charge, which is based on a nationwide idea of what should be charged for use of a certain piece of the network. It does not take into consideration the maintenance costs and so on of using the track in Scotland—by and large,

maintenance can be secured more cheaply in Scotland than in the south-east, as is the case with many things. The economists have based costs on those in the south-east and applied them throughout the country. Therefore, there are no definitive figures to show whether there is a deficit or a surplus—the figures are suspect.

Hazel Martin: Often, the idea of the deficit between what Railtrack spends and what it recoups in access charges is based on a direct reference to what ScotRail pays in access charges. However, that is an unfair comparison. ScotRail pays around £120 million a year in access charges. On top of that must be added the contributions of GNER, Virgin Trains and English Welsh & Scottish Railway. Cognisance must also be taken of the fact that the track access charges do not cover the full cost of maintenance. Finally, the SRA provides a top-up of about a quarter and additional funding to reduce the EWS track access charges to an affordable level. It would be incredibly complicated to give a figure for the track access charges that should be spent here and compare it with what Railtrack is spending.

Iain Wylie: It is important to consider the fact that a lot of the maintenance on the network arises from heavy loadings or trains travelling at fast speeds over the track. Freight transportation causes more damage than a light passenger train does and a high-speed train is more likely to cause damage than a local service is. There is no evidence that the way in which track access charges are levied takes those factors into account. Looking purely at the ScotRail charge and the overall costs of the network in Scotland will not, therefore, produce a fair picture.

John Scott: Does all that boil down to the suggestion that there is a need for greater transparency in the track access charging regime?

Iain Wylie: Yes. There must be greater transparency, fewer accountants and fewer economists. I would even say that there should be fewer lawyers, despite the fact that I am one.

John Scott: Am I right in saying that Railtrack probably does not recover its costs through the track access charges?

Hazel Martin: It is utterly impossible for me, sitting here and looking at the figures, to work that out.

Iain Wylie: The issue is not just the track access charges. Railtrack also has a return on the regulated asset base, which means that a lot of the money will be recouped in the future. There may be a cash-flow issue at the moment, but that will be sorted out by the next regulatory review. The big problem for Railtrack at the moment is that it is strapped for cash and cannot cope. Moreover, it has not been able to meet the performance

targets that the regulators set and it has been heavily penalised for that—it is haemorrhaging money in that way as well. There are so many flows of money in and out that it is hard to say whether, if one could freeze the situation, one would be able to get a balancing figure.

John Scott: Are those difficulties the fault of privatisation or are they the fault of the Railtrack board, which, as Alistair Watson said, is essentially trying to run a property company and sees running a railway as an inconvenience? We must know what the problems are before we can start to solve them.

Iain Wylie: The structure and the performance regimes will tend to concentrate on managing the performance of the network rather than on managing the provision of a service. If the choice is between delivering a better passenger service or saving £1 million, the decision will be to save the £1 million. Such a structure has been placed on Railtrack and the performance regime within which it operates. Although there will be a review of the regulatory regimes at some point, Adrian Montague of Network Rail has said that he does not want that to happen too early in the process, because he wants to understand the current problems. Unfortunately, because of the administration, Network Rail is buying a company that it does not understand.

11:00

Robin Harper: Iain, you responded to a fairly detailed question in a very detailed and comprehensive way. I want to reflect back to you what I have gathered from your responses so far. First, you feel that the last thing that we need now is a major reorganisation of delivery structures, although we might consider introducing a few PTEs at some point. Secondly, you feel that we need investment. Thirdly, you believe that the best thing that we can do is make what we have work efficiently in the public interest. Is that a fair summary?

Iain Wylie: At this precise moment, we do not want any further changes. Although I would not rule out any of the options that you have mentioned as a way forward, we need to cost them, examine them carefully and work out what we want to get out of them and what we are prepared to spend on them.

I have forgotten your other two points.

Robin Harper: The second point was about investment.

Iain Wylie: Yes. It is crucial to get the right kind of investment at an affordable level. The problem with many special purpose vehicles and other non-governmental bodies is that they tend to borrow

money at a greater cost than the level at which the Government can borrow it. Such investment will constitute value for money only if we can drive efficiencies in the system. What was your final point again?

Robin Harper: My final point was that you feel that we should make what we have work efficiently.

Iain Wylie: That is something that we must do, no matter what. We cannot think that we can add bits on to a creaking network and not have anything but a bigger creaking network. That said, we should not rule out enhancements, which we should plan while we are planning how to restore the capacity of the current network. Indeed, we should introduce any such enhancements as quickly as we can.

Robin Harper: I am sorry. I did not mean extensions to the network, of which I want lots. My question was about how we make the delivery structures work.

Iain Wylie: We probably have to make them work and review them at the same time.

Councillor Watson: Many parts of the network are in their current state because ScotRail, GNER and the other operators now base their declining state subsidy on attracting new passengers. The infrastructure cannot cope with that additional traffic. As a result, unless we invest in improvements in the infrastructure at critical points of the network, we will get nowhere. Of course we have to work better with what we already have; however, we must realise that some key parts of the network require continuing investment and additional capacity.

The Convener: Maureen Macmillan will ask the final question.

Maureen Macmillan (Highlands and Islands) (Lab): Do you have any specific comments on the draft directions and guidance?

Iain Wylie: The draft directions and guidance are the right document at this stage in the process. There has been a great deal of misunderstanding in the press of what the directions and guidance are. They form a fairly high-level document that puts a Scottish perspective on the GB-wide directions and guidance, which have already been issued. Indeed, they go a bit further by highlighting some of the schemes that we would like to be introduced as part of the network. It is just unfortunate that the franchising process and the results of the schemes are out of sync. If they were in sync, we would be able to detail certain schemes in the specification.

At this stage, it is reasonable to start from the base point that what will be proposed will be no less than the current network, but that we are keen

to enhance the network. When that position gets firmed up into an invitation to tender, an awful lot more detail will be included. I lived right through the previous franchising process and know about all the variations in documents, the pitfalls and the sort of problems that can be hit during the process. The directions and guidance are appropriate in setting things out at a fairly high level at this stage. The next stage is that we will be invited to specify the services that we think are required for our area under our statutory duties.

The SRA should come back to the Scottish ministers to say what, in its professional opinion, should be done to achieve the Executive's objectives. If the Executive has been too prescriptive, that takes away from the job that professionals should be doing—it is for the SRA to convince the Executive that what it is putting forward is right and will deliver the objectives. There is no point in paying people a lot of money to come up with an opinion only to second-guess them.

Maureen Macmillan: So you would not criticise the draft directions and guidance for a lack of detail.

Iain Wylie: There is sufficient detail in them for what we are dealing with. If we were to delve down into any more detail, that would be akin to fortune telling what might come out of the studies or what might be appropriate solutions.

The overarching point about the proposals in the draft document is that they fall within funding constraints. We might want to implement a whole load of things, but some of them might be mutually exclusive. If we want to concentrate on faster end-to-end journeys, we cannot have more stops at stations. There is a trade-off and we should look for the optimal solution.

We have to put all our aspirations on the table, let people know what we are trying to achieve—a network that is no worse than the current one, plus things that we want improved—and await what comes about through the market and from following the professional advice that we receive.

Councillor Watson: I have read the draft directions and guidance document and I am fairly comfortable with it. The Parliament is suggesting that the forthcoming franchise will be a long one, perhaps lasting 15 years. That may offer our only opportunity to get things right—many mistakes have been made in the past. We have to ensure that integration is at the top of the agenda.

I was interested in the discussions about the Euroterminal at Rosyth. If that terminal is to be permanent, there must be both road and rail infrastructure provision to it. I do not believe that that issue is being addressed, although it is early days. If there is to be a viable sea route to Europe,

we must have an eye on the potential for freight development. I mentioned the experience of Norfolk County Council in that connection.

Let us not forget the freight sector, which has a massive role in taking lots of traffic off our roads. The approaching 15-year franchise may be our only opportunity to make a real difference to the railway industry in this country, so we must keep our eye on the ball.

The Convener: That brings us to the end of questions to this panel of witnesses. I thank Iain Wylie, Hazel Martin, Alistair Watson and Rodney Mortimer for their attendance and contribution.

On a lighter note, it is good at last to find one of the people who was responsible for physically lifting the line between Drumgelloch and Bathgate. I hope that Alistair Watson will be at the reopening of that section of line within a few years.

Our next witnesses are John Angell from the south-east Scotland transport partnership and Frank Roach from the Highland rail partnership. I understand that both witnesses would like to make an opening statement.

John Angell (South East Scotland Transport Partnership): SESTRAN—the south-east Scotland transport partnership—consists of nine councils. It is important to note that SESTRAN does not have any statutory responsibilities for railways. However, over the past few years, the councils that make up SESTRAN and their predecessors have achieved a considerable amount for the rail system. Most recently, the City of Edinburgh Council has led the project to introduce a crossrail service in Edinburgh.

We welcome the studies in which the Scottish Executive is participating: the capacity forecasting study, the demand forecasting or Scottish strategic rail study, the airport link study and the multimodal corridor study. The studies overlap and it is important that the Executive continues to co-ordinate them. Some of the studies will require further, more detailed work at a later date.

SESTRAN sees the expansion of capacity at Waverley station and the introduction of a consistent fares policy across Scotland as high priorities.

Frank Roach (Highland Rail Partnership): The Highland rail partnership is a unique association of local authorities, local enterprise companies, rail companies—including freight companies—and voluntary groups. The partnership is concerned to promote and develop the rural rail network, which connects to national and regional centres, as well as to ferry terminals. It is worth remembering that, although Edinburgh is now the national centre, the route from Perth to Edinburgh, via Ladybank, is still poor. Trains travel along that line at only

55mph.

Over the past couple of years, big gains have been made in the Highlands from very small investment. A new station at Beaully is doing rather well. For the first time, there are winter Sunday trains to Wick and Kyle, which are partnership funded. Two years ago, a Tain commuter service, which is ScotRail's first unsupported service, was established. We also have a fourth Saturday urban train and an additional Edinburgh train.

In rural areas, it is possible to achieve 50 per cent growth fairly easily, without big infrastructure projects, because the necessary capacity exists. We are pursuing two other projects—Invernet and Westnet—which involve commuting services but have no infrastructure problems.

We have produced a strategy for route development that focuses on economic development. ScotRail may have lost £150,000 as a result of the recent closure of the Kyle line following a landslide, but the loss to the local hotel and bed-and-breakfast business was £3 million, as many coach tours come up from the north of England to sample the route.

Social inclusion is an important part of the agenda. People should be able to reach their local centre for jobs, training and so on while continuing to live in their communities.

I welcome the commitment in the directions and guidance to making the September 2003 timetable the basis for the new franchise. We particularly welcome the provision of extra trains and drivers, because we have problems with overcrowding. Our peak is April to October; it is not 8 until 9 and 5 until 6. I am disappointed that the Highlands has not been included in the Scottish strategic rail study. I emphasise that the rural network is not stuck in a siding; it is on the move.

The Convener: The first group of questions is aimed mainly at SESTRAN, but please indicate if you would like to add anything to any of the points that are raised. The converse will apply when we address questions to the Highland rail partnership.

11:15

Nora Radcliffe (Gordon) (LD): You have noted that rail organisation in Scotland, which has one Railtrack zone and a dominant service operator in ScotRail, is simple compared with that in England. SESTRAN has argued that the priority for structural reform should be rail safety and a level playing field for rail between the SPT area and the rest of Scotland. Will you elaborate on the reforms that you have in mind and on the justification for them?

John Angell: SESTRAN does not have the same skill and experience in railway matters as

SPT does, so we have been tentative in our comments on the structure of the rail industry. In our opinion, as non-experts, safety could be considered, as it is an area in which there appears to be duplication and potential confusion. We do not have any hard evidence to back that up—it is more of an impression.

What was the other part of your question?

Nora Radcliffe: What sort of reforms do you have in mind and what are your reasons for advancing them?

John Angell: As stakeholders, we are more interested in the results than in how they are achieved. We share SPT's feeling that now is not the time for radical restructuring and that we must make the present system work as best we can. Other people in government and elsewhere might find ways of making the necessary adjustments within the system. We are interested mainly in results. Anything that can simplify things and speed them up would be of benefit to us.

Nora Radcliffe: Why, in spite of the relative simplicity of rail organisation in Scotland, is it proving so difficult to deliver rail improvements and multimodal ticketing? Is there a need to strengthen the role of the Scottish Executive and to consider a new approach to bus regulation, or should the main emphasis be on the creation of statutory regional transport and land use partnerships?

John Angell: In large cities such as Edinburgh or Glasgow, rail has a reasonably significant contribution to make. In other areas of Scotland and Britain, buses can be more significant. In my area of Falkirk Council, we have seven bus journeys for every rail journey. Those journeys are local and for many people they are more essential, which raises many social inclusion issues. That is one reason why most councils within SESTRAN would not favour the setting up of a statutory PTE in the east. Although the City of Edinburgh Council has been sympathetic to the idea and some City of Edinburgh councillors have suggested setting up such a PTE, the majority of the other councils feel that we must assess what problem we would seek to address through such an organisation.

If the aim were to address the maintenance of an existing rail network, that should not be too difficult for existing organisations, provided that the network was running properly. If it was a question of investing in major new schemes, which could be handed over to the maintenance regime once they were up and running, that could be done by various partnerships. Two or three councils are co-operating with the Executive and others on a joint study of the Waverley line to the Borders.

Buses need to integrate not only with trains but with school transport. School transport needs to integrate with school crossing patrols, safer routes

to school, street lighting and footway maintenance. Local councils have a huge role to play at that end of the public transport spectrum. If you end up with a centralised PTE in a big city, it is more difficult for that organisation to have local knowledge of those much more detailed issues. That is why most councils do not see the need for a PTE in the east.

Frank Roach: From a rural perspective, I think that multimodal products such as Travelpass and Highland Rovers are very successful. However, it is patently obvious to me, as someone who is involved in the development of multimodal day trips from Inverness and Fort William, that the railway must always be the lead operator because of the tightly regulated revenue capturing systems through the rail settlement plan. That precludes more innovative schemes.

Nora Radcliffe: Do you see that as the major barrier to developing better multimodal ticketing?

Frank Roach: It is quite a barrier. If you sell a ticket from Wick to Penzance, the price of that ticket might get divided among five different operators. If you add in bus operators too, they may not have the auditing resources to deal with sharing out revenue.

Nora Radcliffe: That is a good point. Thank you.

Do you have any views on the proposals that have emerged from the central Scotland transport corridor studies? If there is still a significant funding gap in financing road and rail improvements, which projects should have the highest priority and what reliance should be placed on earlier moves towards earmarked road user charging across the central belt?

John Angell: I do not know the total funds available to the Scottish Executive and to Parliament, but I imagine that they do not add up to cover everything that we would like to see as soon as possible. One problem that SESTRAN has is that we need to compare projects equitably. We are pleased that all the studies are going ahead, but the results, when they arrive, will probably need further work. Only when those results are in will the various professions involved, centrally and locally, have a look at them.

From SESTRAN's point of view, there is certainly a good case for more rail investment, not just in the schemes that SESTRAN councils themselves have proposed, such as the Borders line or the reopening of the Bathgate to Airdrie line, but also in some of the more ambitious schemes that have come out of the corridor studies, such as electrifying the Airdrie-Bathgate-Edinburgh line and running four trains an hour. Another proposal, which affects the edge of my council area, is to have a new station at

Castlecary or Allandale, with four trains an hour into and through Glasgow. Those are major issues that need further study.

As for SESTRAN's priorities, the redevelopment of Waverley station with generous provision of further capacity is certainly important. Services to and through Edinburgh airport are also well worth looking at, not just as an airport service but to interlink Fife services with Glasgow to Edinburgh services. It is important that the airport study, the initial remit for which is to consider the extra revenue generated by airport passengers, should also be able to take account of the results of the Scottish strategic rail demand forecasting study, to see what additional passengers would go through the airport from Fife on their way to Glasgow. That can then be built in as a possible benefit that might justify some of the investment.

Maureen Macmillan: Frank Roach and I both agree that rail should play a major part in the social and economic development of the Highlands. What aspirations does he have for the Highland network, from sleeper services to commuter services, that are achievable?

Frank Roach: First of all, there must be services that arrive at a sensible hour in the regional centre. If you take a train from Mallaig, Fort William or Oban, you end up in Glasgow at 11.30, which is pretty useless. At last we have a service from Inverness that arrives in Edinburgh at 9.59 am, although that is still insufficient for a business day. One of the first things that must be done, through retimetabling or faster rolling stock and track improvements, is to get trains to arrive at times when people want them to arrive. For example, it has been demonstrated that, because the Sunday train to Wick is timetabled to cope with the students who wish to return to North Highland College on a Sunday evening, they all take it. That is the most important aspect. Historically, trains have run at times that suit train crew operations. Services must be much more customer focused.

ScotRail runs the sleeper pretty much as economically as possible. Recently, there have been changes, in that ScotRail can switch carriages from the Aberdeen route to Fort William when there is snow for weekend skiers. To develop the sleeper network further will require major thinking from incoming franchisees.

Commuter services are a good possibility. At the moment, we have no train from Mallaig into Fort William after 6 o'clock in the morning. That is useless. One hopes that services to Fort William, Oban and, as I mentioned, Inverness can be developed. The key is to reduce traffic congestion, which—surprisingly—exists in Inverness, although it is not as significant there as it is in the central belt.

People will change mode. ScotRail's official prediction for the Tain commuter train was one adult return journey per day. That train now arrives in Inverness with perhaps 90 people. That started from nothing a few years ago and shows that people will switch mode. Beaulieu station is a perfect example of that. People of all ages now commute from Beaulieu into Inverness. All socioeconomic groups have shown a willingness to change mode.

Maureen Macmillan: You have expressed concern that the priorities in "Scotland's Transport: Delivering Improvements" are essentially urban although important issues affect rail and transport integration in the extensive rural areas of Scotland. What practical steps do you propose to counter the situation?

Frank Roach: There is a remit to congestion-bust throughout the United Kingdom. I would hate to think that the argument that concentrating investment in the south-east of England will somehow affect central Scotland rail services would be replicated by saying that, because investment is all happening in central Scotland, nothing can go on in the Highlands.

I have tried to demonstrate that it is possible to increase ridership. Remember that increasing passenger usage by 50 per cent and freight usage by 80 per cent are key indicators for the UK Government. They can be achieved very easily with little investment in rolling stock and infrastructure. I wish that, with its social inclusion hat on, the Government would see its way to providing people with services that will enable them to get from their homes to the regional centre and back in a day. In the 21st century, it is reasonable to expect that.

Concern exists that, if some sort of PTE structure is created for the Highlands, it will become dominated by ferries and air transport. We must bear in mind the fact that the network is a Scottish national rail network and then a UK network. I would hate to think that the Highlands would be thought of as having funny tourist trains and parked to one side.

Maureen Macmillan: It has been suggested that the Scottish Executive should clarify the proportion of rail and transport integration funding that is available in more rural areas as part of the Scottish transport appraisal guidance procedures. Are you in favour of that?

Frank Roach: Yes, very much so. Bear in mind that a number of rural routes are not paralleled by trunk roads. That is their long-term strength. It would be impossible to duplicate services by road across Rannoch moor or alongside Loch Carron and across the moorlands at Altnabreac. It is important to acknowledge that and to develop

those routes. The increase in freight traffic, which has been a peculiarly Highland success, would be one way of developing the routes. Despite the fact that the practice ceased many years ago, freight is now travelling along many Highland lines.

I am a little lost—what was the rest of your question?

Maureen Macmillan: My question was whether that clarification should be part of the STAG procedures.

11:30

Frank Roach: The low cost and availability of land assist us in developing transport projects and in coming up with new schemes. The availability of infrastructure also assists us. We have a large number of stations, although you might say that that is because no one got round to closing them. We also have a large number of sidings—we are too far away from Perth for an engineer to be sent up to say that they should be closed. A strength that runs through STAG is that things can be done at fairly low cost. Although the number of potential passengers is not large, we could increase passenger numbers by big percentages. Inverness is said to be the fastest-growing city in Britain and there is no doubt that more passengers will be attracted on to the railway.

Maureen Macmillan: Highlands and Islands Enterprise said in evidence to the committee that special transitional European Union funding for the Highlands and Islands is due to end in 2006. Do you agree with the view that there is an urgent need to use such funding to support rail projects more fully?

Frank Roach: Yes. It was a great disappointment that in the first tranche of objective 1 funding, which ended in 1999, the EU awarded money only to the Aviemore station regeneration project and £28,000 for lineside loading of timber. That was not much money out of a pot of more than £200 million. We now have the post-objective 1 money, and it seems that rail is going to miss out again, because the rail industry is split up to such an extent that it is almost impossible for people to agree to time scales and to find matched funding.

I am closely involved in the Inverness to Aberdeen upgrade proposal. Some funds have been earmarked from the potential European regional development fund award for the straightening of Forres station and the Altens loop. However, a huge amount of money will have to come from elsewhere to match what will probably amount to only 25 per cent of the funding. An SRA incremental output statement is being worked up to level 4, but that will be subject to the SRA's value-for-money test. My great fear is that we will not get much out of the exercise, yet the

documents that were produced in 1995 and 1996 envisaged track being relaid, new stations being built and level crossings being upgraded. None of that work has been done. It is important that, in the final years of the transitional funding, some money is spent on rail. It is all too easy to spend money on roads, for which the only customers are the trunk roads authority or the local council.

Robin Harper: It is clear from what you have said that the Highland rail partnership has been doing good work, despite many frustrations. You partly answered my question in response to Maureen Macmillan, but how far do you look to the expansion of your activities as a means of promoting rail, including freight and rail tourism, in the Highlands?

Frank Roach: Do you mean expanding our activities geographically, or in relation to time scales?

Robin Harper: Both, perhaps.

Frank Roach: I have discussed with Stirling Council the opportunity created by the national park for the council to become more involved in rural rail development, as Tyndrum and Crianlarich are on the council's doorstep. Perth and Kinross Council, which believes that it falls between the Highlands and central Scotland, is an important member of the Highland rail partnership. Geographically, the potential exists to involve other local authorities on the fringes. My current patch is the area that is north of Gleneagles and Helensburgh and west of Keith—I suppose that that is about half the land mass of Scotland, and includes about 700 route miles of track.

On the time scale, the most important thing is to get through the franchising period, but then to be able to have sufficient lobbying powers to work through what may be the first five years and the second five years of the franchise. The local authorities that fund me realise that their interests are not only central belt interests; they also have rural interests. Tourism, which is a major industry in my part of the world, can be improved only with improved public transport services. Looking around trains at the moment, I would say that tourism is doing well. A lot of people are on the move.

Geographically, there is an opportunity to spread a little wider, but I would not like to tread on too many people's toes by heading too far south or getting too involved in a debate about what is and is not rural.

Robin Harper: Will you comment on two current suggestions for improving rail benefits and delivery? One suggestion is a role for micro-franchises for rail in the Highlands and the other is the possible impact of a Highlands and Islands transport authority, which we have been

considering in other contexts.

Frank Roach: Micro-franchising does not exist anywhere in the UK. It has been talked about and there are European models of micromanagement. I would argue that ScotRail has been quite good at micromanaging. Not everything is decreed from Caledonian Chambers; there is a lot of expertise out in the field. My concern about micro-franchising is the time scale. I presume that when you go for micro-franchising you seek economies. Economies of scale are gained from existing operations. A train can go from Edinburgh to Wick one day and from Wick to Aberdeen the next day. Following that, it can go back to Edinburgh or Glasgow. There can be economies of scale and good rolling stock utilisation.

Once you get into a micro-franchise, things perhaps become a little bit peripheral. It is important to have long-distance through services. People realise that the service is part of a network and is not something that may or may not be there. Engineering is another area in which there are economies of scale. A micro-franchising operation might find it harder to have standby rolling stock to replace services when there is a failure. I have a concern about whether economies are real.

Micro-franchising would expose the true costs of maintaining a piece of infrastructure. There is currently a global figure, which might be £200 million a year for the ScotRail franchise. Some of that will go to Railtrack—we are never quite sure how much Railtrack ends up with at the end of the day. If you go into micro-franchising, the figures must be finely tuned because somebody, whether a local authority or a private operator, will have to sharpen their pencil to provide a service that works, without going bust. Of course, there would have to be a back-up operator in the event of the micro-franchisee going bust, just as the SRA is equipped to step in with shell train operating companies if those companies go bust.

On the Highlands and Islands transport authority, I mentioned a concern about ferry and air domination because of the isles' interests. It may be difficult to argue for rail investment, because rail has a long payback time—30, 40 or 50 years—whereas investment in ferry and air is more short term. A boat, which is the major part of a ferry service, can be taken somewhere else. Railways are here to stay. A large part of the investment goes into track, which cannot be shifted elsewhere.

This is a personal feeling, but I feel slight discomfort about the transport authority, although it might co-ordinate timetables even better than they are co-ordinated now. It might also create a realisation that air services are not the be-all and end-all, and that in fact it would be far better to get

a train from Inverness down to the new stop at Edinburgh airport than try to develop more regional air facilities.

Robin Harper: I can confirm that it is a lot cheaper to travel by train to Aberdeen and then by air to Orkney, and it is not much slower.

The Convener: I have a final question for you both. The draft directions and guidance from the Scottish Executive were published recently. This committee will comment on them to the Executive. Do either of you have suggestions for improving those directions and guidance?

John Angell: I agree with SPT that, given the state of the various studies that are going on, the draft directions and guidance are appropriate. Had the studies concluded two years ago, the Executive would now be in a position to know exactly what the investment priorities are, but the information does not exist at the moment. As far as they go, I have no problem with them.

SESTRAN is concerned about what will happen between now and the new franchise coming into being and finding its feet. Employment in Edinburgh is growing rapidly and congestion is increasing on trains, not just on roads. We have made a submission to the Scottish Executive and the SRA for something to be done urgently to procure more rolling stock—mainly diesel rolling stock—on various routes, and to stabilise the position on the Edinburgh to North Berwick line, where the situation is okay for the moment, but only on a six-month leasing basis. That is the short-term priority for us.

Frank Roach: We are extremely pleased with the timetable guarantee, so that any new services that are introduced under the current National Express-ScotRail franchise will remain in future.

I am concerned that the franchising process will take a long time. I have personal experience of projects that in effect have been shelved because they cannot be developed. We are entering the period when the intellectual property rights of the existing ScotRail management team will come into play, because they do not wish to give away their best ideas to potential rivals. I hope that the franchising process can be achieved within the suggested time scale.

I am pleased that the document is drawn sufficiently widely to invite innovative bids from potential franchisees. Had it been too tightly specified, it would not have been as beneficial to the travelling public.

The Convener: That concludes our questions for you both. Thank you for the evidence that you have given to the committee. I am sure that it will inform our deliberations and the report that we publish.

Agenda item 4 is consideration of our draft response to the Scottish Executive on the directions and guidance. As previously agreed, we will move into private session.

11:43

Meeting continued in private until 13:19.

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