

TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE

Tuesday 19 May 2009

Session 3

£5.00

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TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE

13th Meeting 2009, Session 3

CONVENER

Patrick Harvie (Glasgow) (Green)

DEPUTY CONVENER

*Cathy Peattie (Falkirk East) (Lab)

COMMITTEE MEMBERS

Rob Gibson (Highlands and Islands) (SNP)

*Charlie Gordon (Glasgow Cathcart) (Lab)

*Alex Johnstone (North East Scotland) (Con)

*Alison McInnes (North East Scotland) (LD)

Des McNulty (Clydebank and Milngavie) (Lab)

*Shirley-Anne Somerville (Lothians) (SNP)

COMMITTEE SUBSTITUTES

*Alasdair Allan (Western Isles) (SNP)

Gavin Brown (Lothians) (Con)

David Stewart (Highlands and Islands) (Lab)

Jim Tolson (Dunfermline West) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Ainslie McLaughlin (Transport Scotland)

Stewart Stevenson (Minister for Transport, Infrastructure and Climate Change)

CLERK TO THE COMMITTEE

Steve Farrell

SENIOR ASSISTANT CLERK

Alastair Macfie

ASSISTANT CLERK

Clare O'Neill

LOCATION

Committee Room 4

Scottish Parliament

Transport, Infrastructure and Climate Change Committee

Tuesday 19 May 2009

[THE DEPUTY CONVENER *opened the meeting at 14:00*]

Scottish Government Transport Projects and Policy

The Deputy Convener (Cathy Peattie): Welcome to the 13th meeting in 2009 of the Transport, Infrastructure and Climate Change Committee. Members and the public should remember to turn off phones and pagers.

I have received apologies from Patrick Harvie, Des McNulty and Rob Gibson. Alasdair Allan is attending as a committee substitute.

Item 1 is on the Scottish Government's transport projects and policy. Today we will hear from the Minister for Transport, Infrastructure and Climate Change, Stewart Stevenson, on the updates to and future plans for the Scottish Government's transport projects and policy. I welcome the minister and his officials to the meeting. Ainslie McLaughlin is the director of major transport infrastructure projects in Transport Scotland; Bill Reeve is director of rail delivery in Transport Scotland; Judith Ainsley is ferry policy and procurement team leader in the Scottish Government transport directorate; and Sam Anson is an economic adviser in the transport directorate. A warm welcome to you all.

As always, the committee has a number of questions it would like to ask. I will start with high-speed rail. Minister, were there any concrete outcomes from your recent meeting with Lord Adonis regarding the north-south high-speed rail network?

The Minister for Transport, Infrastructure and Climate Change (Stewart Stevenson): It would be useful to say at the outset that, like myself, Andrew Adonis is a comparative rail enthusiast, and it will be a pleasure to work with him on a range of issues.

We are engaged in some of the preplanning work that High Speed Two is doing for the HS2 project. I met Andrew Adonis relatively recently, when he had completed a trip around Great Britain that included going to Inverness, across to Aberdeen and then back down. If he had not been aware of some of the issues, he became quite familiar with them through that practical

experience. He responded extremely favourably to the view that the destination for an HS2 that originates in London should be the two major cities in Scotland, and we have agreed to work together on that basis.

The Deputy Convener: High Speed Two has asked Transport Scotland to organise a high-speed rail stakeholder group. Who will be involved in that group, how were the members chosen, and what is Transport Scotland doing to ensure that the widest possible range of views will be heard?

Stewart Stevenson: As yet, we have not taken the steps that would enable me to give a definitive answer on that. Clearly, we will want to ensure that the widest possible segment of views is brought to bear. As you well know, the committee reported on the subject and we had a useful debate on it. I am sure that that and the evidence that was given to the committee will form a key part of the input to that stakeholder group.

If the committee wishes to draw particular things to the attention of the minister and Transport Scotland, we will be happy to hear from you either today or at a later time.

Charlie Gordon (Glasgow Cathcart) (Lab): Other than facilitating a Scottish high-speed rail stakeholder group meeting, what specific plans does the Scottish Government have to engage with High Speed Two to ensure that the interests of Scotland are fully incorporated in its work? For example, do you intend to make any formal representations?

Stewart Stevenson: I have spoken to Andrew Adonis on three occasions on this subject, and I expect to maintain a regular dialogue at ministerial level. At official level, Andrew Adonis has met officials and will continue to do so. We will engage with the HS2 consortium. At this stage, I do not think that there has been a formal request for input, but that will not prevent us from providing information that ensures that Scotland's interests are represented in the considerations of HS2.

It is worth making the general point that informally—I speak as minister now rather than on behalf of Transport Scotland—we are aware that interests in the north of England, and the north-east in particular, will be engaging similarly. They are interested in making common cause with us because they see advantages to Newcastle if the service has increased patronage because it goes all the way to Glasgow and Edinburgh. A lot of people will be working together, and for the first time for many years we see a sense of common purpose that I hope will lubricate the decision.

Charlie Gordon: On that last point, interests in north-west England might have a slightly different view, although that could be equally beneficial to Glasgow and Edinburgh.

Stewart Stevenson: I am taking no view; I am merely expressing that, when the opportunity arose informally, those in the north-east of England expressed to the minister their views on the subject. That neatly highlights the issue of the route and whether it will run on existing lines, whether it will use an entirely new line, whether it will parallel the east or west coast main line or indeed whether it will go straight up the middle. Those are some of the issues with which the HS2 company has to deal and about which it will make proposals.

Charlie Gordon: Do you intend to designate the north-south high-speed rail network as a national development in the final version of national planning framework 2?

Stewart Stevenson: Until we publish NPF 2, I am unable to give a definitive answer to that, but the member will recall that during the debate on the national planning framework I indicated a substantial willingness to consider the point that was being made. He can be assured that I intend to fulfil that promise.

Charlie Gordon: High Speed Two will issue detailed reports on the proposed north-south high-speed rail network by the end of this year. It has been indicated to the committee's inquiry that the Scottish Government will

"give consideration to a separate Scottish Study building on the work of HS2 at the turn of the year".

How does the Scottish Government intend to take that work forward?

Stewart Stevenson: We are working with HS2 as it exists at present. There is considerable merit in HS2's looking at the whole proposed network rather than fragmenting its consideration. I hope that what HS2 brings into the public gaze towards the end of the year will reflect properly the views and interests of Scotland. In any event, along with a wide range of other stakeholders, we will take what HS2 comes up with, respond to it and seek to fine-tune it, not least because our understanding of the requirements, technologies and opportunities will evolve over time.

The member is aware of my concerns and questions about where the services should end physically in Glasgow and Edinburgh to connect with the non-high-speed network. It is clear that there are substantial issues around where in Glasgow we could bring the service as its two major stations are essentially at capacity. There is a similar set of issues in Edinburgh. I would not expect, for example, that sort of question to be answered in the output from HS2 in December, and it is largely for us to drive forward. Our focus will be on that issue as much as on any other.

Alex Johnstone (North East Scotland) (Con): Moving on to other aspects of rail, I have a couple of specific questions about other projects. First, will the minister offer us an update on progress on the Edinburgh-Glasgow rail electrification process?

Stewart Stevenson: There are regular meetings on that project, and project planning is taking place with some vigour. It is the most substantial electrification programme that there has been anywhere in the GB network for some considerable time, and it is fair to say that, now that Lord Adonis is running the show down south, there is renewed interest in electrification there, too.

One thing that Andrew Adonis and I discussed was the need for us to work together to ensure that we do not bring projects to the market at the same time and therefore create difficulties for each other. Part of our planning in that regard is to ensure that we work with the England and Wales network so that any electrification there synchronises with what we are doing. In particular, because we are looking at substantial and relatively rapid electrification that will lead to the development of new techniques to support the process, it is important that we share the knowledge of those involved in electrification programmes south of the border to benefit north of the border. The converse is equally true.

Alex Johnstone: When do you think the first electric train will run between Edinburgh Waverley and Glasgow Queen Street?

Stewart Stevenson: The answer to that is 12 December 2010. However, if I may say so, you asked me the wrong question. That date is the planned opening date for the Airdrie to Bathgate line, which will, of course, provide an electric rail connection between Edinburgh and Glasgow Queen Street. I think that you want to know when the first electric train will run between Edinburgh and Glasgow via Falkirk. A note is being passed to me that may remind me of that. The current plan is that that will happen in 2016.

For the sake of clarity, I do not want to give false certainty about 12 December 2010. There is a certain amount of engineering work to be done that will influence what the actual date will be, but that is the working target date at the moment.

Alex Johnstone: We will move on.

Can you give the committee a progress report on the Waverley railway project?

Stewart Stevenson: We have been engaging with possible sources of finance for that project. There is considerable interest in it, and a range of advance works is, of course, already being

undertaken. Our plan is that the project will commence certainly within the next two years.

Alex Johnstone: Finally, what is your involvement in the current difficulties that National Express is having with the east coast rail franchise? Have you or any officials in your department had any talks with the United Kingdom Department for Transport about that franchise and its future?

Stewart Stevenson: Some three months or so ago, I had a relatively informal meeting—officials were not present, I hasten to add, because of where the meeting occurred—with the chief executive of National Express, Richard Bowker, in which he talked about some of the general concerns and franchise difficulties in other parts of the GB network south of the border in view of the economic downturn. I have not had more recent direct engagement with National Express. The Department for Transport lets the franchise, of course—we in Scotland provide our views about what should be done, but the matter is for the DFT.

We are carefully watching what is happening. If I remember correctly, we are talking about 10 trains a day that come to Edinburgh—I am looking for a nod or a shake of a head to confirm that. The number is certainly of that order—I think that 11 trains go south. Therefore, we have a substantial connection to London, which we take a close interest in.

Alex Johnstone: And you will continue to do so.

Stewart Stevenson: We will, because I am a great fan of the train.

Charlie Gordon: I crave the convener's indulgence. Minister, in the past few days, as a result of a European Union decision on state aid, the way is clear for the refranchising of the Eurostar franchise in 2010. Will you consider making representations to the Department for Transport on Scotland's interest in the shape that that new franchise might have?

Stewart Stevenson: I confess that I missed that issue, as I am not sure that I knew that. However, you will know, as others do, that I was considerably disappointed that the original ambitious plans in which rolling stock was to be allocated further north in England and to Scotland to provide point-to-point trains fell by the wayside. Indeed, the rolling stock was disposed of for other purposes. If the rules on state aid have had the effect that the member suggests, I recognise, as he does, that an opportunity exists, and we will seek to exploit it in any way that we can. I have not been engaged in the subject, but I will certainly ask about it.

14:15

The Deputy Convener: We like it when you do not know the answer and you own up to it. Thank you, minister.

Stewart Stevenson: Absolutely.

Alison McInnes (North East Scotland) (LD): Minister, your letter to the committee of 11 May 2009 about the ScotRail franchise extension contains limited information and does not explain how Transport Scotland altered its programme of priced options, which amounted to £70 million, following the stakeholder consultation. Did the responses to the consultation influence Transport Scotland's decisions, and if so, how?

Stewart Stevenson: They did, but comparatively modestly, for a good reason. Basically, the responses said that we were seeking to do the right things, so we proceeded with the priced options. In developing those options with First ScotRail, we had drawn on the previous consultations that had taken place, so it is not as if we started with a blank sheet of paper. In essence, the consultation told us we were doing the right things. If there were comparatively few changes as a result of the consultation, that is pretty good news.

Alison McInnes: The ScotRail franchise extension is conditional on FirstGroup's meeting a series of new performance targets in the period to 1 October 2009. In your letter to the committee, you wrote that FirstGroup had continued to deliver "far ahead of targets". We could interpret that as meaning that the targets were softer than they should have been. Are you satisfied that the revised targets that you set were robust enough?

Stewart Stevenson: We probably wrote the set of targets and got the extra £73 million or so for spending on Scotland's railways at exactly the right point in the cycle. If we were negotiating in the economic circumstances in which we now find ourselves, we would be unable to achieve such stringent performance measures or such a large financial benefit—and that is without taking account of the fact that it is later in the franchise cycle, which would also diminish our ability to get value out of it.

Like every other franchisee throughout the UK, but I suspect to a lesser extent, ScotRail is seeing less travel and a diminution in average spend per journey. We do not have all the figures that suggest that, but the figures to which ScotRail is working this year are substantially more challenging than it would have imagined when it signed up to them last year. Nonetheless, it continues to perform extremely well and to be the top performing franchise in the GB network.

Alison McInnes: What you say about the more challenging backdrop suggests that the targets that you set should have been more difficult to meet, so I question whether they were robust enough. However, I will move on to Network Rail.

Media reports suggest that Network Rail has missed its annual targets for reducing disruption and delays on Scotland's railways due to a combination of bad weather and problems with the signalling upgrade. Will you comment on that? Have your officials been in dialogue with Network Rail on the matter?

Stewart Stevenson: As it happens, I signed a letter this morning to the chief executive of Network Rail, Iain Coucher. It is one of a series of letters on aspects of Network Rail's performance. What exercised us most significantly in recent times was the simultaneous blockade on the east and west coast main lines, which was entirely against the high-level output specification. Like us, the UK rail minister, Andrew Adonis, expressed serious concern about that.

The most recent letter that I received from Iain Coucher shows that he clearly understands our concerns on the subject and our wider concerns about the way in which maintenance and upgrades are delivered on the network.

Other European countries were able to maintain the operational status of their networks while upgrading them. Lessons can be learned from mainland Europe, and we continue to make that point forcefully to Network Rail. To be fair, I would say that Network Rail gets the point, but it continues to find it difficult to reach the kind of performance that others reach.

Chris Bolt of the Office of Rail Regulation has set Network Rail much more challenging efficiency targets for the next control period than was the case in previous control periods. In part, that was because of the input that we and the UK Government made to Chris Bolt, when we said that much more account should be taken of performance on the continent. We are moving in the right direction, but we are far from reaching the destination.

Alison McInnes: How will you ensure that projects that did not make it into the strategic transport projects review but are still of regional significance will go forward? You might think that I am going to ask you about Kintore—and I would be happy for you to talk to me about Kintore—but I am actually going to mention another project. The Highlands and Islands strategic transport partnership has been keen to increase the number of trains out of Oban. There are only three train services to and from Oban each day, which is the worst service in the country. Oban is a key interchange for the ferries, and the project has a

strong business case and would bring economic benefits to the area's economy. What can the minister do to ensure that the project, although outwith the STPR, is taken forward with some urgency?

Stewart Stevenson: We are working with HITRANS on rail services to Oban. I do not want to make a commitment at this stage, but the area in which we can most readily make improvements will be in increasing the length of the trains. That does not address the point about the number of trains, which I acknowledge as a related issue, but we understand the concerns. Whenever I meet Duncan MacIntyre, who is the chair of HITRANS, and Dick Walsh, who is the convener of Argyll and Bute Council, a range of subjects are discussed. Next time I meet them, I will raise the point that you have raised.

I have just been told that our most recent contact with First ScotRail on longer trains was this very morning.

Alison McInnes: Thank you—I look forward to the points being developed.

Shirley-Anne Somerville (Lothians) (SNP): Will the minister give us an update on the progress of the Forth replacement crossing?

Stewart Stevenson: It will not be news to anyone here to know that the Forth replacement crossing is a very significant project. As we develop its details, we will of course make changes to it.

We have pretty much established the line for the road, and we have engaged significantly with local communities and individuals who may be affected. I know that Shirley-Anne Somerville and others have taken an interest in the original suggestion of having a park-and-ride facility sited on the current toll plaza. It would not be appropriate for us to include that as part of the Forth replacement crossing project, although it will be important that the need for park-and-ride facilities south of the river continues to be considered by the south east of Scotland transport partnership and others. That is an example of the kind of detail that will emerge as the project moves forward.

Shirley-Anne Somerville: Has a decision been taken on how to fund the construction of the crossing?

Stewart Stevenson: We have said for some time that we will fund it from our capital budget.

Shirley-Anne Somerville: Will that decision have any impact on the letting of the project, the timescales, or the eventual cost?

Stewart Stevenson: It simplifies the letting of the project, because financial instruments and financial partners will not be part of it.

Borrowing money for transport projects or any other kind of project—in Government, in local government, or elsewhere—entails the payment of interest, which is an additional cost. It can be a useful top-up to cover peaks in demand during a project, so borrowing is not something that the Government will not do, but as the crossing is a major project with a budget range of £1.7 billion to £2.3 billion, the funding mechanism that we have been able to choose—funding from our capital programme—is particularly helpful. It is also increasingly difficult in the current climate to raise money from the markets for very large projects. About 100 private finance initiative and public-private partnership projects in England and Wales have stalled because money cannot be raised for them, which is why the UK Government has provided special support for them.

Our funding the Forth crossing directly from our funds much reduces the possibility of delay because of funding issues. Nonetheless, we continue to engage on our capital programme more generally. If we have to fund projects directly and without access to our own borrowing or longer-term scheduling of our capital programme, that limits our ability to pursue other projects.

Shirley-Anne Somerville: I take it from your answer that you do not foresee a situation in which the Scottish Government cannot secure the necessary funding for the crossing.

Stewart Stevenson: Our total capital budget for each year ahead is of the order of £3.2 billion to £3.5 billion, so one can see that the project can fit in a year's budget. Of course, that is not how the cash flow works, and doing that would not be without consequences, but it is clear that we have the capital capacity and we have built the project into our forward planning.

Shirley-Anne Somerville: Can you give us details on how the parliamentary process for the project will develop?

Stewart Stevenson: I have just checked the formal position with my officials. We intend to introduce a bill for the project later this year. As we want a start date of 2011 and a projected completion date of 2016, it is clear that we want to make rapid parliamentary progress, because the procurement cycle for such projects generally takes about a year.

Shirley-Anne Somerville: Will you introduce a hybrid bill?

Stewart Stevenson: I will not give a definitive answer on that at the moment, as some questions remain. On balance, we will probably not introduce a hybrid bill, but I do not want to mislead the committee by giving a definitive answer at this stage. It will be some months before we introduce our bill, on which we have further work to do.

We have substantial work to do on the bill, because it must describe the works that require to be done. At this stage of planning, we have not completed that effort. The bill is very much in outline, so it would be premature of me to give certainty, which would be false.

Alison McInnes: I accept that you have said consistently that you will fund the crossing from the capital budget, but that will have a profound impact on other key transport projects. Have you discussed the matter further with Westminster or have talks broken down? Have you no intention of seeking additional support?

Stewart Stevenson: No—the talks have never broken down, although it is fair and certainly true to say that we have not wholly agreed. Other complications affect not just Scotland, but departments in England and Wales. For example, the introduction of the international financial reporting standards is fundamentally changing how capital assets are represented in our assets and liabilities, and how they are dealt with in our income and expenditure. In recent weeks, we have started to receive guidance on that from the Treasury, although it is not the final word and we have not yet fully mapped it into our processes. That guidance will remove some of the uncertainty that has existed in discussions at official and ministerial level that have taken place, and which will continue to take place, with HM Treasury.

Alison McInnes: When was the Government's most recent contact at ministerial and official level on the matter?

14:30

Stewart Stevenson: I will tell you about my personal contacts, although I cannot give you the information right now. Mr Swinney might have had more recent contact than I, because he is taking the lead on the issue. On contact between officials, I will again need to tell the committee after the meeting.

Alison McInnes: I would be grateful for that information.

Stewart Stevenson: We can certainly provide it. However, the subject of contact is not limited to the Forth replacement crossing—there is regular contact on a wide range of issues, which is particularly the case as the result of work on implementation of the IFRS. That is a two-way process, because some of our internal work is informing decisions that HM Treasury is applying to projects in the rest of the UK.

The Deputy Convener: You will be aware of the Competition Commission's ruling on the ownership of Edinburgh and Glasgow airports. I understand that BAA is to appeal. What is the Scottish

Government's view on the decision that BAA should sell either Edinburgh airport or Glasgow airport?

Stewart Stevenson: BAA had the option to appeal until close of doors last night, and has chosen to do so. That carries with it the risk of a period of uncertainty, which is not likely to be particularly useful, although we will see where it takes us. We have not expressed a firm view one way or the other, but we take a general view that competition between airports is likely to be of benefit. That competition can be delivered in a variety of ways. I am speaking about competition in a wide sense—I do not simply mean competition between airports in Scotland, but between them and airports south of the border. If BAA were to dispose of a Scottish airport, the early indications are that a range of organisations would be interested in acquiring it. Our interest would be in ensuring that any new owner wants to develop its airport and ensure that it continues to make a significant, and greater, economic contribution to Scotland, rather than—as might be the alternative—to use it as a cash cow for other parts of the business.

The Deputy Convener: People are concerned that one of the airports will face real problems if the ruling is enforced. Is that an issue?

Stewart Stevenson: To be blunt, I do not want to overplay or underplay that. In the present climate, it is clear that airports throughout the UK have problems. For example, the number of passenger movements at Leeds Bradford international airport has halved in a year for the particular reason that a large part of the traffic was between one part of HBOS and another—Leeds and Edinburgh—which drives home the point that local factors will create difficulties. Several other English airports face significant challenges because of loss of traffic. Edinburgh, Glasgow and Aberdeen airports do not appear to be in that position, although they are experiencing effects of the economic downturn. We will have to keep a close eye on that.

Alex Johnstone: I have a couple of questions on major road projects. Has the expected price of the M74 extension project increased beyond the predicted £445 million budget?

Stewart Stevenson: It is a fixed price.

Alex Johnstone: An additional £12 million was allocated to deal with mine-working difficulties. Has any of that been drawn down?

Stewart Stevenson: Some of it is being drawn down. We have budgeted fully for it. At this stage, it would not be proper to say what we expect the outcome to be. We and the bidder had different views on pricing the risk, which meant that we

retained it. I think that that will, at the end of the day, prove to be a cost-effective decision.

Alex Johnstone: I have become aware that there has, as a result of the M74 extension construction work, been considerable disruption of public transport, including the Glasgow subway and some bus services. Does the Scottish Government expect to be liable for any of the costs of that disruption, or for costs that might be associated with repairs that will be necessitated by the construction project, or will the consortium that is doing the work carry that cost, rather than its coming from the public purse?

Stewart Stevenson: I think that I was asked two questions there. One was about disruption to the operation of buses and so on. We do not pay compensation for that: that is a long-established principle. It is not yet known whether the subway issues are anything to do with the M74 extension, although test work has been undertaken that will continue that investigation. If I may, I will ask Ainslie McLaughlin for his view—which is all that it can be at this stage—on where liability would lie if it is shown that the project has caused that sort of infrastructure damage.

Ainslie McLaughlin (Transport Scotland): Liability would clearly lie with the contractor, under the terms of the contract. The incident that happened back in April is currently under investigation, and discussions are on-going between Strathclyde partnership for transport—the owner and operator of the subway—and the joint venture contractor. I can tell the committee that piling has resumed in the area and is continuing under the close supervision of SPT.

Alex Johnstone: Just to wind up that point, can you tell me definitively that the Scottish Government will not become liable to pay any cost overrun that is associated with the project as a whole?

Stewart Stevenson: When one negotiates such a contract with a fixed price, the contractor clearly takes a view of the risk, prices it and incorporates that in the price of its bid. In turn, we decide whether that price is affordable; if we think that it is, we sign on the dotted line and the risks are now the contractor's.

Alex Johnstone: The other project about which I want to ask is a bit closer to home for both you and me—the Aberdeen western peripheral route. Given that we expect the public local inquiry report to be delivered in the summer, is it possible at this stage for you to give an outline of the expected timetable of developments between now and the beginning of construction?

Stewart Stevenson: It is unwise, while we are waiting on the outcomes of the public local inquiry to be delivered to ministers, to suggest anything

new in the way of timetables. After all, ministers have to take an objective view of what the PLI will say. I do not know what that will be.

At the end of the day, as with any order, the order on the AWPR will be laid before Parliament. It will then be up to Parliament whether to reject or debate it. Where parliamentary process is involved, it would be unwise for a minister to second-guess what will happen or when the public local inquiry report will be available. The reporters are making best speed. I have had no indication that they are encountering difficulties.

Alex Johnstone: So far as it goes.

Alison McInnes: Sadly, it does not go very far. There is growing frustration about the AWPR in the north-east because we see the project slipping. At the moment, you have posted on your Transport Scotland website that anticipated construction completion for both the AWPR and the Balmedie to Tipperty improvements is 2012-13. Is not the situation becoming time critical? Will any work be done before the next election, if we do not move forward quickly?

Stewart Stevenson: Considerable preparatory and land acquisition work is being done. I share Alison McInnes's frustration; the AWPR has been an urgent project for at least a decade.

Alison McInnes: On funding, you told Parliament a couple of weeks ago that you had not decided on the funding mechanism.

Stewart Stevenson: No, I did not say that; I said that I had not determined the funding mechanism, which is an entirely different thing, if I may say so. We are not at the point where we require to, or should, take the decision. We cannot be at that point until we have received the report from the public local inquiry and have seen what effect that might have on the shape, structure and line of the project. That will be the right point at which to decide on the engineering solution, the processes that we have to go through to authorise the project and the funding that will be required to support the project.

Alison McInnes: It is clear that the project has to be taken forward with two partners—two councils. Are they content with the on-going discussions about funding? Do they have the clarity that they need in order to prepare their budgets?

Stewart Stevenson: I met the north east of Scotland transport partnership earlier this year and my officials and I remain in regular contact with it, which will continue.

The Deputy Convener: We move on to the Edinburgh trams. Do Scottish ministers support the successful completion of Edinburgh tramline 1A as a matter of policy?

Stewart Stevenson: Cathy Peattie will be aware that Parliament clearly expressed its view on that subject in 2007. That view was against the view of the Government, which was that the project should not proceed. We accepted the verdict of the Parliament. We simplified the funding in that we said, "Here's £500 million. If you can do phase 1A for less than that figure, you can keep the change for line 1B." Things have moved on a bit from there, but that is another story. The limit remains £500 million. Because we are spending public money, we want the project to proceed in the most effective way.

We have replaced the heavy rail link to Edinburgh airport with the last two stops—at the Royal Bank of Scotland and the airport station—being connected with a new heavy rail station at Gogar, adjacent to the tram stables. We have built the existence of the trams into our own transport projects, so we have a direct interest in that limited part of the west of the network. Of course, as the funding is drawn down from us, we continue to monitor whether the works for which it is being provided are being completed.

Shirley-Anne Somerville: On drawdown of money, a significant amount—more than £270 million, I think—has already been wasted on the trams project. Can you give us an assurance that there is an audit trail to ensure that the milestones have been met for the utility work to ensure that the money is being used most effectively, despite the original vote against the Government on the matter?

Stewart Stevenson: We provide the required funding only when it is demonstrated that the works that are associated with it are being undertaken. Although we are not directly part of the project—we are an external funder—we are managing with considerable rigour the funding that we are providing.

Shirley-Anne Somerville: Has there been any request from TIE or the council for advice or assistance on the project on which Transport Scotland has had to deliver?

Stewart Stevenson: The cabinet secretary and I met the new chief executive of TIE not long—two weeks, I think—after he was appointed, so there has been engagement to ensure that we are fully informed. We have had no requests at ministerial level to which we have had to respond. I do not believe that we have had any requests at official level, either—my official is confirming that.

Shirley-Anne Somerville: You have given us some updates on the Gogar rail-tram interchange. Given the concerns that a number of people have that the project is massively delayed, have you had reassurances that the service will be

functioning, so that it can integrate correctly into the rail network?

Stewart Stevenson: We have. The design of the interchange is at an advanced stage, and we are working closely with TIE to ensure that our joint interests are looked after and progressed properly.

Shirley-Anne Somerville: Finally, unlike the M74 extension project, the trams project is not a fixed-price contract. It may be fixed in respect of the amount of money that is coming from the Government, but it is not a fixed-price contract between TIE and the contractors. Will you reassure the committee once again that not one penny more will be spent by the Government on the trams, and that any cost overruns will be met by the City of Edinburgh Council, which will mean that any impact will be on the council budget and the services that the council provides?

14:45

Stewart Stevenson: I would present that in a slightly different way. It is correct that there is an absolute limit on the amount of money that will come from the Government. As I understand it, it is essentially a fixed-price contract. However, as is the case with any major civil engineering contract, there will be variations. There have been a significant number of requests for variations, and one of the key things that the new chief executive will focus on is extremely tight management of those variations. Although we are not sufficiently at the heart of the issue to assure Shirley-Anne Somerville, this is not a project with a blank cheque and a price that keeps on going up. It is under quite tight financial control; however, given the nature of the project, it is up to TIE to manage it.

I can give you the example—it is not particularly significant—of the breach of a water main, which was not known about, at the stables at Gogar. In consequence, the amount of spoil that had to be removed from the site was something of the order of five times as much as had been anticipated and was in the plan. TIE took the view that a local contractor could remove the spoil for substantially less money than the bid from the contracting consortium. Instead of commissioning a variation to the consortium, TIE commissioned a local contractor to do the work. There are signs at management level that TIE is seeking to manage the price very effectively. We will see what the outcome is at the end of the day.

Alasdair Allan (Western Isles) (SNP): My question—predictably, given my constituency—is on ferries. Are you able to update us on the progress of and timetable for the Government's ferries review?

Stewart Stevenson: We have been tramping up and down Scotland at an official level, meeting communities and surveying them by post and in face-to-face interviews. We are making good progress.

One of the things that impacts on our review is the European Commission investigation into ferries in Scotland, which is taking rather longer than we are comfortable with or had originally expected. We will not go to public consultation on the ferries review until early 2010. We had hoped to do that rather earlier, but to an extent we are in the hands of the Commission. We will not let it absolutely control our timetable, but it would be unwise for us not to try to get its input into our deliberations.

Alasdair Allan: Does the period in which the public can contribute to this change—

Stewart Stevenson: I am sorry if I misled you. We are directly engaged with the public now; we are asking for contributions, and we are receiving substantial contributions. When we formally express the review as a document, we will of course put it back out for consultation. My reference to public consultation was a reference to that part of the process and not to the present substantial engagement.

Alasdair Allan: A specific area of interest is the progress of the European Commission investigation into the letting of the CalMac Ferries and NorthLink contracts. Are you able to say more about that?

Stewart Stevenson: It is fair to say that the investigation is, of course, driven by complaints that have been made by third parties whose names and identities are formally unknown to us. We do not know how many complaints there are or what they say. Certainly, they cover three broad areas: the NorthLink Ferries service; the letting of the CalMac services last year; and, of course, the Gourock to Dunoon service. It is fair to say that the level of difficulty in each case varies, but it would be unwise of us to anticipate any particular outcome. We continue to engage with the Commission, but I make it clear that our formal engagement is via the UK Government—the member state is the UK. In essence, the focus is on whether state aid has been deployed inappropriately, in particular to the detriment of private ferry operators in a number of places around Scotland.

Alasdair Allan: One issue that reared its head in the discussions on the road equivalent tariff and which I assume might be of relevance to the ferries review is the business of hauliers passing on savings that they make under RET. My mailbag is full of letters on the subject. Is that issue being monitored or discussed?

Stewart Stevenson: The RET pilot, which will run for 30 months, is precisely that—a pilot. It was designed to help us understand the first, second and—we hope—third-level effects of the RET intervention. We have seen some evidence of such effects. For example, a mainland fuel supplier now sends a tanker across to the islands—to Harris in particular—and I understand that the differential between fuel prices on Harris and those on the mainland has closed by 10 pence a litre. There is some indication of such effects. It is, however, a very early indication and should not be relied on at this stage.

The issue of hauliers is interesting. Obviously, RET presents an opportunity not just for businesses on the islands, but for mainland businesses. It is up to island businesses to work out their competitive response. Before the introduction of RET, I met a number of Western Isles hauliers in Stornoway. At official level, we are very closely involved with the hauliers. A key measure in our evaluation of RET is the cost of goods in the Western Isles. Like the example that I gave about a drop in fuel costs in Harris—which may not be sustained—we should see a drop in the cost of goods.

RET probably does not make much difference to the supermarkets, given that they tend to have uniform pricing throughout the UK. That said, we might expect, if not a change in the cost of goods in supermarkets, an extension in the range of goods that are available on the islands. In other words, we will see the benefit in another way. That is a key measure that we are looking at, and it will inform future policy making in this area.

The Deputy Convener: Like me, you will be pleased to see the launch today of the new service from Rosyth. It is very good news indeed. Are you positive about the success of the new service? Is there any way of extending it in future?

Stewart Stevenson: I am very pleased about the new service. In Norfolkline, which is part of the Maersk Group, we have a serious, big player in the ferry market—one that is already engaged in the UK market and which is therefore familiar with the legislative regime. It also knows the market a lot better than the previous operator did. I hope that today's ferry has now arrived. It was expected about 20 minutes ago, which is a little bit later than planned but, in the circumstances, the delay is not too surprising.

The feedback that we have received thus far is that early bookings are very encouraging. There is a second vessel that could—I emphasise the word “could” because no commitment has been made—be deployed on the route if traffic builds up a level. The potential exists for that to happen. As with everything else at the moment, I note that these are very challenging times in which to launch such

a service. We are particularly pleased to see that bookings are doing so well.

A number of things that Norfolkline is doing differently from Attica give us hope. Norfolkline is marketing vigorously, and in a targeted way, at the other end of the line, in Europe. Attica's marketing was largely limited to this end of the line. Most of Attica's costs were denominated in euros and most of its income was denominated in pounds. That resulted in something like a £2 million swing. That swing was not fully covered, which contributed to Attica's difficulties. The proportion of traffic that originates from the continent is now much higher than it was with Attica, which is good.

With action from the Flanders Government and the Zeebrugge harbour authorities, we now have a fixed berth. In the past, the berth moved around. Because of the fixed berth, we now have shoreside facilities that improve the service. The facilities are modest but at least they are there. Also because of the fixed berth, there is now a bus service that meets the ferry at Zeebrugge. That public transport connection was not always present under the previous operator.

Of course, we now have a nice, new, shiny boat. I am not saying that the previous Blue Star vessel was inadequate, but it was certainly not of the same calibre as the Superfast ferry and now the Visentini ferry.

The omens are good. However, it is a commercial service and the operator has to be able to make money. We are working with the operator to ensure that we can discuss any support that it may require.

Alison McInnes: I turn to a matter that is close to my heart; the minister knows that I have been pressing him on it for some time. Will he update the committee on when the report of the expert panel on road safety will be published? When will the Scottish Government introduce its new 10-year strategy for road safety?

Stewart Stevenson: We are close to bringing that forward, but of course we are not neglecting to make progress in advance of that—especially in the area that particularly concerns Alison McInnes and me, and Mr Johnstone, as members from the north-east of Scotland, where particular issues have arisen.

The see me system—is that the right name?

Alison McInnes: Yes.

Stewart Stevenson: The see me system will be trialled, which will be interesting. I also know of a number of interesting developments that the major bus companies are involved in. I do not want to refer to them directly, as I would not want the Government to appear to be supporting a commercial product that is not yet on the market.

However, what has happened has energised the bus industry and my officials, and I think that it will lead to real changes.

We are also engaged with the Department for Transport on the subject of road safety—because, of course, it is not simply a problem for the north-east of Scotland or for Scotland as a whole. We are committed to the GB target for casualty reduction. Using the average figures from the period 1994 to 1998 as a base, the target for 2010 is a 50 per cent reduction in the number of children who are killed or seriously injured on our roads. In fact, we are 67 per cent below. Particular areas of road usage present particular risks. One concern is school buses, on which we are working.

Alison McInnes: You said that you are close to publishing. I was advised in December that publication would be very soon. What is causing the delay? Is it to do with revisions or iterations of the strategy?

Stewart Stevenson: In setting up a 10-year strategy, we have engaged with a wide range of people. As we have moved forward, we have learned more about different topics. What we have not done is use the development of a long-term strategy as an inhibitor to our taking short-term actions, such as working with councils on the see me system.

15:00

Alison McInnes: On road safety, has the Government carried out any research into why the number of cyclists and motorcyclists who are killed on Scotland's roads is increasing? What are you doing to reduce the number of casualties?

Stewart Stevenson: We recognise that there is a particular issue with motorcyclists, including mature motorcyclists—by mature, I mean people even younger than me—and, increasingly, with foreign motorcyclists. There are particular issues with powerful bikes, which are often driven at the limits of what is safe on our roads. We are doing work on that subject.

On cycling, I am not particularly aware that pedal cycles are presenting a significant challenge, although I could be told otherwise. We are doing some work, but there is no specific research of the kind that you mentioned.

The Deputy Convener: Will you update us on the review of the concessionary travel scheme for elderly and disabled people? What is the likely timescale for its completion?

Stewart Stevenson: We have been working in close association with the Confederation of Passenger Transport and we are close to publishing the outcome. We have already announced that we will include disabled ex-

servicemen, which is a useful extension. However, it may not be possible for me to say much more in advance of our publishing the outcome.

The Deputy Convener: Do you accept that, even with the concessionary travel scheme, which is welcome, some people with disabilities and some older people find it difficult to use public transport? Some people are unable to use bus services at all, and others pay comparatively high amounts to use services. Do you see any way forward in dealing with that discrimination?

Stewart Stevenson: The deputy convener makes a substantial point, in that people with particular disabilities are unable to access normal public transport, however well adapted it may be. We have commissioned a piece of work to look further, beyond the timeline of the review, at demand-responsive transport, which is a single label for a variety of services. That is a key part of helping people with a range of more significant disabilities who cannot access normal transport, and is the main way in which we are carrying the matter forward for the time being.

Charlie Gordon: You will know that the committee has argued for some time for a greater focus on active travel, especially in your department's spending priorities. I gather that you spoke at an active travel conference this week. What issues were raised, and what are you doing to prioritise spending on active travel ahead of the publication of the draft budget later in the year?

Stewart Stevenson: The member is right, although I think that I spoke to the conference in Perth last week. It was certainly quite recently—how time passes.

One area of work in which those who were present are engaged is ensuring that we get more parents involved in active travel. There is a perception among too many parents that it is dangerous for their children to walk or cycle to school. In fact, the comparative figures for the past 20 or 40 years show that walking or cycling to school has become substantially safer, but the perception of danger has changed. We would like parents to walk or cycle to school with their children. That will not only make the parents a bit fitter, which is no bad thing, but give them a more realistic view of the risks to which their children are exposed.

We talk about what parents and the Government can do. In Dunbar, 300 pupils—nearly half the school population—cycle to the local primary school every day. When I met the pupil council that led the initiative—last August, probably—it had moved on to persuading the teachers to cycle to school. If I go there over the summer break, I will be interested to find out what progress has been made on that.

The issue that was brought up at the active travel conference was that of funding and, in particular, the mix of responsibilities between local authorities and central Government. It is clear that local government has a substantial part to play in the process. When a local authority approves housing schemes, industrial developments or office developments and when it builds its own roads, it must make appropriate provision. We want to work closely with the Convention of Scottish Local Authorities and local authorities on that.

Shirley-Anne Somerville: Can you give us a firm date for the introduction of the carbon assessment tool? Are there any delays to the project that we should be aware of?

Stewart Stevenson: We are working on the carbon assessment tool, early drafts of which are available. It is fair to say that we have discovered that we are even further ahead of the field than we thought that we were. No other country has attempted to do what we are doing, as far as we are aware—I emphasise that caveat, given that there are some 200 countries around the world. We are making the kind of progress that we need to make. The first draft will be precisely that—a draft. Successive drafts will do the job more effectively, not least because other people will have looked at what we did at the outset.

Shirley-Anne Somerville: You cannot give us a date.

Stewart Stevenson: I am not yet ready to share a date with the committee.

Shirley-Anne Somerville: We look forward to hearing more about the carbon assessment tool at the briefing that we are to have.

Alison McInnes: I would like to return briefly to active travel, on which the convener asked me to raise an issue. I am happy to do so, because it is worthy of consideration.

I believe that you have a keen interest in history, minister. Are you aware of the proposal by rebridgethegap.org.uk to have reopened the footbridge across Waverley station that was built in 1890 and closed temporarily in the 1950s? Do you have a view on that? Do you support the suggestion that it would serve as a useful link for pedestrians and cyclists, who at the moment have to go all the way round the station?

Stewart Stevenson: The new bridge at Stirling station—in the construction of which considerable difficulties were encountered—which goes right across the station and connects to the waterfront, shows the intrinsic value of such links. I was not aware of the campaign that you mentioned until now; I have written down its name. There are some issues that would have to be addressed,

because Waverley station is a Network Rail station; it is not one of mine. Perhaps Mr Ron McAulay and Mr Iain Coucher should be invited to progress that proposal.

My interest is in the tunnel that goes down towards Leith, the entrance to which one can see if one looks across to the north of the British Transport Police office. That is another interesting opportunity at Waverley. There are a number of heritage opportunities on our railway network and the member has brought an interesting one to our attention.

Alison McInnes: Thank you.

The Deputy Convener: As members have no other questions for the minister, I thank him very much for answering our questions. I am sure that we will have more for him in the future. We will break for a few minutes to allow the minister and his team to leave.

15:09

Meeting suspended.

15:11

On resuming—

Annual Report

The Deputy Convener: Agenda item 2 is consideration of our draft annual report. Members have a copy of it. I propose that we go through it paragraph by paragraph. Members should suggest any changes that they wish to make to the text.

Do members have any proposed changes to the first 10 paragraphs?

Charlie Gordon: The first sentence of paragraph 10 contains a split infinitive.

Alasdair Allan: Split infinitives are only strictly against the rules in Latin.

The Deputy Convener: Thank you for that.

Do members have any suggested changes to the remaining paragraphs?

Members: No.

Alasdair Allan: That was painless.

The Deputy Convener: Absolutely.

Alison McInnes: There is no mention of our climate change conference.

The Deputy Convener: It is there.

Alison McInnes: I missed the reference to it.

Shirley-Anne Somerville: It is in paragraph 23.

Alison McInnes: Oh, yes. I am sorry.

Charlie Gordon: The report does not convey how we suffered during our consideration of the Climate Change (Scotland) Bill, but I do not suppose that it could.

Alex Johnstone: My only reaction was that I thought that we should enlarge that section of the report just to emphasise our work in that area, but let us not do that—let us consign it to history.

The Deputy Convener: I suspect that we will be able to record our views next time round, when the bill has completed its passage.

Charlie Gordon: It is a good report, which shows that we are a hard-working committee.

Alex Johnstone: It is a surprisingly long report, but that simply reflects the effort that has been put in.

The Deputy Convener: Does the committee agree that the report should be published in June?

Members *indicated agreement.*

Meeting closed at 15:14.

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