

TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE

Tuesday 15 September 2009

Session 3

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TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE **19th 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)
David Stewart (Highlands and Islands) (Lab)
Jim Tolson (Dunfermline West) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

John Swinney (Cabinet Secretary for Finance and Sustainable Growth)
Philip Wright (Scottish Government Climate Change and Water Industry Directorate)

CLERK TO THE COMMITTEE

Steve Farrell

SENIOR ASSISTANT CLERK

Alastair Macfie

ASSISTANT CLERK

Clare O'Neill

LOCATION

Committee Room 2

Scottish Parliament

Transport, Infrastructure and Climate Change Committee

Tuesday 15 September 2009

[THE CONVENER *opened the meeting at 13:30*]

Finance and Sustainable Growth

The Convener (Patrick Harvie): Good afternoon, and welcome to the 19th meeting this year of the Transport, Infrastructure and Climate Change Committee. There are apologies from Alex Johnstone MSP. I ask members and everybody else present to ensure that all mobile devices are switched off.

There is only one item on today's agenda: finance and sustainable growth. We are joined by the Cabinet Secretary for Finance and Sustainable Growth, John Swinney, and his colleagues David Middleton, who is the chief executive of Transport Scotland, and Philip Wright, who is deputy director of climate change at the Scottish Government. I welcome them all to the meeting.

Do you want to make any opening remarks before we ask questions, cabinet secretary?

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): I have remarks that I could make, but I suspect that we will cover all the ground anyway, so it would probably be best just to get on with things. Please feel free to carry on, convener.

The Convener: In that case, I will ask about the context in which we are approaching the Government's various decisions on transport and climate change. Obviously, the economic situation has changed, and additional commitments have been made in the form of emissions targets in the Climate Change (Scotland) Act 2009. Given that there is a tighter financial situation—I am sure that the cabinet secretary will explain the situation at length in the chamber on Thursday—what process must there be for examining decisions that have already been taken and put into place in the strategic transport projects review and the national planning framework? What process needs to be followed to re-examine those decisions in a new context that was perhaps not anticipated?

John Swinney: I certainly accept that there is currently a very different fiscal and economic landscape, and it is obvious that decisions will have to be taken in that context. Those decisions will be considered within the Government's ongoing decision-making process, which largely involves three-year spending reviews that are

refreshed annually by budgets that bring up to date considerations to do with annual changes in programmes and available resources. Obviously, such considerations will be a material part of what members will consider on Thursday.

The process is strengthened by the actions that the Administration has taken in moving towards a carbon assessment of the budget, which will become part of the architecture of our decision making. Obviously, that is new ground for the Government, and it will be a material part of what I discuss on Thursday. Those are the mechanisms through which we make our choices to progress particular policy priorities.

The convener mentioned the national planning framework and the strategic transport projects review. My strong view is that those two major pieces of work have been progressed within the context of the overall approach that the Government has taken to achieving sustainable economic growth and our direction of travel on the delivery of our climate change ambitions, targets and duties. There is therefore no need for us to revisit the contents of the strategic transport projects review or the national planning framework, as they were formulated within that context.

A spending review must be when we say what we can do in a given period for a given amount of money. That is the approach that the Administration would take to the formulation of a set of specific priorities emerging from those larger pieces of reflective work on what our direction will be for the next 10, 20 or 30 years, and I think that it is an approach that any Administration would take.

The Convener: It might seem to an outsider that decisions might need to be fundamentally re-evaluated from the point of view of value for money and the expected cost of projects given that the Government's budget and the wider economy are radically different from what was expected when the original decisions were made. Is there no process of re-examining the projects that have been outlined in those documents and seeing whether they still represent good transport policy or value for money?

John Swinney: The decisions on the formulation of priorities in the STPR were concluded during the present economic difficulty. That economic difficulty will not be with us for ever. I concede that it will be with us for some time, but it will not be with us for ever, and the transport projects review is a 20-year programme of transport interventions. The foundations for the analysis that it contains strike me as being very sound. It is obviously the case that we must undertake appropriate assessment of the value-for-money conditions around each project on a

project-by-project basis, so that we can be satisfied that they represent value for money. That is essential.

However, decisions will be taken from the starting point that we have undertaken policy processes that have generated the contents of the STPR and the national planning framework. I stress to the committee that those policy processes have not in any way been at odds with the fundamentals of the Government's economic strategy, which of course relates heavily to the principles of sustainability, solidarity and cohesion that underpin what the Government does on its economic argument.

The Convener: I fully recognise that the Government's overall policy objective and its vision of what it describes as sustainable economic growth are set, and that the STPR has been written and will not necessarily be torn up. However, you seemed to suggest in the first half of your answer that a review is under way that will look at the decisions that will be coming along and assess whether they are the right ones. I want to learn a bit more about how that review is being taken forward. What is the process?

John Swinney: Let me try to provide some further explanation. I have two points to make. The first is that, fundamentally, I do not think that any of the principles that underpin the STPR or the national planning framework need to be revisited because they are entirely consistent with the Government's economic strategy. Secondly, when we come to take decisions on a project-by-project basis, which we will do in each spending review, we will consider which projects can proceed in a given timeframe. Stewart Stevenson set that out when he announced that we would take the STPR approach.

Des McNulty (Clydebank and Milngavie) (Lab): I would like to focus your attention on a three-to-five-year time horizon, which is a realistic timeframe for establishing and implementing a programme. There are two big elephants in the room in that period. One is what we know about public sector finances, which will affect transport as well as every other area of spending—you have been eloquent on the financial prospects ahead of us—and the other is the necessity to take forward a Forth crossing, for which we do not yet have a clear funding scheme. It seems inevitable that financial circumstances and the requirement to build the Forth crossing will necessitate some review of the transport programme during the next three to five years. In the circumstances, I do not see how transport can be sacrosanct while everything else is affected.

I am interested in how you intend to go about identifying, prioritising and reviewing the programme for the next three to five years. Are

there things that will have to be dropped or delayed for longer than was anticipated? Do you have management strategies for dealing with that? What volume of spending do you envisage year by year between now and 2014, for example?

John Swinney: If I knew the answers—particularly to the last part of your question—I suspect that I would currently be in a stronger position than the Chancellor of the Exchequer or the shadow chancellor.

Three to five years is too short a timeframe for some of the projects. For example, we will not have constructed the Forth replacement crossing by 2014, which would be the end of the five-year period. That point also applies to the development of some of the major pieces of infrastructure that we are currently constructing, such as the M74. I cannot say definitively how long the run-up to the current proposal has taken, but I would not be surprised if it is 10 years since we started on the route towards construction of the M74.

We need to be cautious about three-to-five-year timeframes. When we came into office, we took on board the transport priorities of our predecessors. Many of those projects were not yet breaking the soil, but they were on a pattern to be undertaken and we gave some continuity to them—although not in all circumstances, as we all know. The timeframe is an important question to get right.

On the issue of public sector finance, I expect that there will be a period of restraint in public expenditure. That was strongly evidenced by the contents of the chancellor's budget in April and will more than likely be given greater colour by what the Prime Minister says today at the Trades Union Congress conference and what we will hear in due course.

It is predicted that capital budgets will be constrained in the period ahead, and it is clear that we have to configure our capital programme to satisfy the requirements of public sector finances. That will be done in the fashion that I explained to the convener a moment ago: through consideration at a spending review, which will cover a three-year period and be refreshed annually in the formulation of our budget.

Mr McNulty asked about the Forth replacement crossing. We have a clear funding scheme. It will be funded through traditional capital expenditure, and I am very confident—certain, in fact—that the Government will have the resources available to do that. I accept that that means that other projects will not be able to take their course at the same time, but we have said that, within our traditional capital programme, we will give priority to the Forth replacement crossing, the Southern general hospital in Glasgow and the schools estate proposals that were announced by the

Cabinet Secretary for Education and Lifelong Learning.

13:45

Essentially, that is the context within which we will prioritise decisions on our capital budget, which is of the order of £3.4 billion annually. Of course, other changes may come along. The Parliament could be given borrowing powers, which is a point around which I think all members of Parliament unite. That would give us another device through which we could fund certain improvements at the same time as undertaking our commitments on the Forth replacement crossing, or we could fund the Forth replacement crossing through that mechanism. The management framework that Mr McNulty asked about is constructed around the strategic transport projects review, which gives us a 20-year programme that lays out what are the right, correct and proper interventions to make in transport infrastructure and development. We then prioritise spending review by spending review, three-year period by three-year period. I hope that, in doing so, we will build some continuity around the projects.

One of my hopes for the STPR, which was of course an initiative that we inherited from our predecessors, is that by continuing in that direction and by not changing its remit or its focus, there may be a certain amount of buy-in across the political spectrum that allows for continuity in the development programme that the STPR represents.

Des McNulty: I am trying to get a more specific answer on the impact on the transport programme over the period between now and 2015; I am not really looking beyond that to the STPR projects at this point.

I notice that yesterday, in the Westminster context, Peter Mandelson referred to certain projects that would have to be rethought and perhaps put back or even reconsidered. One of the projects that were mentioned was the identity card scheme. What is the Scottish Government's equivalent of the identity card scheme? Are there transport projects that, in practice, you will have to rethink in the context of either other exigencies or perhaps other priorities? For example, is it possible that some of the projects in the STPR would now be judged to be of higher priority than those in the current programme? How do you manage that process?

John Swinney: If we had an ID card programme, I am sure that the convener would have stumbled across it already and pointed it out.

I do not have much to add to what I said in my previous answer. We go through a process of

review in each spending review. We will establish at a strategic level the balance of public expenditure within a spending review period. The resources that are allocated to particular programmes of expenditure will be influenced and informed by where we think the relative priorities lie.

I explained that I see the capital programme in the early part of the next decade being focused on three main elements: the Forth replacement crossing, the Southern general hospital and the schools building programme. That gives the shape of a reasonable part of the capital programme. Obviously, we will look at particular projects to determine how well they fit into that context in each given spending review period.

The Convener: I took from Des McNulty's remarks that a parallel for an identity card scheme here might be made of concrete rather than plastic. The cabinet secretary said fairly clearly a few minutes ago that the capital budgets would need to be reconfigured, given the changing context. Given that the committee is interested in transport investment, does that mean that the capital investment in transport infrastructure is under continual review?

John Swinney: Every budget is restated annually. A three-year view will be taken in the spending review, which will set out the overall shape of public expenditure. Part of what I am currently wrestling with is the fact that 2010-11 has become £500 million lighter than I expected. Obviously, we need to re-examine such questions. The Government's discussions will be informed by major pieces of work, such as the strategic transport projects review, which gives us a clear exposition of what the range of projects should be in the short, medium and long terms.

Charlie Gordon (Glasgow Cathcart) (Lab): Would you update the committee on the process that High Speed Two (HS2) Ltd is undertaking to develop new high-speed rail proposals?

John Swinney: We are optimistic about the direction of travel on high-speed rail. It is an issue on which the United Kingdom Government has policy leadership. When the Scottish Government came to office, it did not feel as though the UK Government was particularly enthusiastic about high-speed rail, but there has been a marked change in that position in the past couple of years. We had good discussions with Tom Harris, who was the transport minister. Those have been continued with Lord Adonis as the Secretary of State for Transport and there is now strong engagement on the matter.

The Government's aspiration is to have high-speed rail links between Scotland and London. It would be an enormous missed opportunity if such

links came part of the way through England but did not reach Scotland. We are engaging as constructively as we possibly can with the UK Government and HS2 to try to ensure that high-speed rail links come all the way.

Charlie Gordon: Are you quite sanguine that the process could result in a view with which the Scottish Government is comfortable?

John Swinney: That is a difficult question to answer. I certainly hope that we will establish agreement on the concept of a high-speed rail line between Scotland and London. That is what we are arguing for and, in a perfect world, it would also be what the United Kingdom Government was trying to deliver. Obviously, resources will be a major factor, but there is a willingness to engage constructively on the issue and we are certainly taking every opportunity to do that.

Charlie Gordon: The UK's only existing high-speed rail line is mainly a platform for Eurostar services between London and continental Europe. The Eurostar franchise is to be relet next year. What representations is the Scottish Government thinking of making in connection with that?

John Swinney: We have not engaged so far in any discussions on the retendering of that franchise, but we would be happy to ensure that connections and services that suit the interests of travellers from Scotland are encouraged so that it is a practical proposition for them to use Eurostar as an alternative to flying to Brussels or Paris and to access the European high-speed rail networks. We would be happy to discuss with the committee how best we could take forward some of those points.

Charlie Gordon: I am slightly disappointed with your answer, because I asked the Minister for Transport, Infrastructure and Climate Change a similar question in the committee several months ago and his answer was not all that different. Perhaps this is something that should be moving up the Government's agenda. Although travelling to Europe by rail might not be the first choice for most people, it would be the first choice for some people, for budgetary or environmental reasons or because they have a fear of flying. I would suggest that the interchange between west and east coast mainline rail services with Eurostar in London is quite important because it will be a long time before high-speed through services are developed.

John Swinney: I did not want to convey the sense that I do not think that there is a significant point here, because there undoubtedly is. Particularly because we are encouraging people to opt not to use environmentally damaging forms of transport, Mr Gordon's points about encouraging people to make the choice to travel to London by

train and transfer there to the Eurostar instead of flying to Europe are well made.

In light of the fact that Mr Gordon has now raised the issue twice with Government ministers, I will ensure that the matter is ratcheted up. Mr Stevenson might have been more engaged in the issue than I am aware, but I will, in any case, ensure that the appropriate action is taken. If I can give you a further update beyond what I have said, I will write to advise you of the follow-up.

Shirley-Anne Somerville (Lothians) (SNP): We have heard concerns from environmental groups that infrastructure projects in the strategic transport projects review and national planning framework 2 will lead to an increase in the number of journeys and in the length of trips. Do you share some of those concerns? If so, what is being done by the Government to alleviate those problems?

John Swinney: As I said in answer to the convener earlier, all of the work around the STPR and NPF2 has been done in a way that is designed to maximise the connections between the Government's message on sustainability and the achievement of sustainable economic growth. Fundamentally, those two major pieces of long-term planning have been developed in a fashion that is consistent with the Government's agenda and the requirements, duties and aspirations in the Climate Change (Scotland) Act 2009.

In the formulation of the STPR, a strategic environmental assessment has been carried out on the review and the possible interventions. That will identify the issues that have to be considered in terms of environmental impact.

The STPR is often viewed as a collection of new infrastructure projects, but that is not the case. It is also about a number of devices that will enable us to use the existing transport infrastructure more effectively than we currently do. When it is considered in the round, there are a range of different opportunities in the review that give us clear guidance about how we can improve connections in Scotland without damaging the environment in the fashion that some commentators would suggest.

Shirley-Anne Somerville: The "Carbon Account for Transport" was published recently. It stated that several of the planned infrastructure projects are anticipated to increase emissions in the future. In light of that, and in anticipation of questions that you will be asked later on climate change, can we hear some detail about how those priorities fit together? It seems that issues remain about the way in which we can deal with transport without ending up with increasing emissions.

14:00

John Swinney: Much of the answer is vested in a number of the interventions that we will take forward as part of our duties under the Climate Change (Scotland) Act 2009. The climate change delivery plan sets out an agenda of radical interventions to change the pattern of transport use, to change our methods of transport and to encourage modal shift, but also, fundamentally, to remove carbon from transport.

Over a longer period, but certainly within the next 15 years or so, significant strides will have to be made in the decarbonising of transport. That is why we are consulting on electric vehicles and the infrastructure that we would have to put in place to support them in Scotland. Some of that infrastructure might have an impact on carbon, but it will then be used by appropriate vehicles. We have to accept that and, as a consequence of our commitments under the climate change legislation, we have to act to reduce that impact.

Our obligations under the legislation will drive some of the policy interventions that affect our ability to achieve the contents of the climate change delivery plan. Many of those questions will have to be addressed as we take forward the explanation of the steps that we have to take on tackling climate change.

Shirley-Anne Somerville: Particularly in the field of transport, many of the policy options are outwith the powers of the Scottish Parliament or, indeed, are decided on at a European Union level. What discussions are continuing with Westminster colleagues and in Europe to ensure that Scotland's voice is heard so that we can achieve the objectives that we set in the 2009 act?

John Swinney: Among all the media interest in conflict between the two Administrations, one area that has been an exemplar for constructive and positive cross-border working is the dialogue with the United Kingdom Government on the climate change legislation. The Minister for Transport, Infrastructure and Climate Change and I have had good, open dialogue with our UK counterparts on all the questions with which we have wrestled, and it has been an enormously constructive process. As we move on to implementation, dialogue on many questions will continue.

On the European dimension, a great deal is focused on what will be discussed at Copenhagen in December. We have an active programme of engagement to ensure that some of the ambitious, strong and admirable contents of the legislation that the Scottish Parliament passed are understood by a wider audience. We want them to influence the deliberations that need to take place at the Copenhagen summit for us to deliver some of the approaches that will make it more practical

for us to achieve some of the objectives to which we all signed up as parliamentarians.

There is good dialogue at the UK level, and we have planned what I would describe as a promotional agenda, with a series of interventions between now and December, to do all that we can to use the strength of the legislation that we passed to encourage an ambitious agenda to be accepted at the talks in Copenhagen.

The Convener: Rob Gibson has a supplementary question. I remind members that we will move on to discuss climate change issues in more general terms after we have covered transport.

Rob Gibson (Highlands and Islands) (SNP): My question is in the context of the STPR and carbon accounting. I am thinking in particular about two proposals that the Government has regarded as priorities: the upgrading of the railway between Perth and Inverness and the dualling of parts of the A9. Has the carbon accounting exercise considered the impacts of those two priorities?

John Swinney: The strategic environmental assessment will have looked at each priority as part of the formulation of the STPR, and those details will have been considered. As we consider the implications of the carbon assessment of the financial programme, which will be part of what we publish on Thursday and will become part of the architecture of information that we have at our disposal, such factors will be addressed into the bargain.

Rob Gibson: Will we be able to dig into the proposals that are announced on Thursday and consider projects such as those that I mentioned? Of course I cannot prejudge what you will say on Thursday.

John Swinney: The carbon assessment that is set out on Thursday as part of the budget will not be sufficiently detailed to enable you to go down to the level of individual policies. However, we undertake environmental assessment on every project. The process of authorisation of transport projects is the Scottish transport appraisal guidance system, which will be applied in all circumstances.

The Convener: You mentioned electric vehicles. The Scottish Government has expressed ambitious expectations about the uptake of such vehicles as a means of decarbonising transport. Many people hope that those expectations can be realised, but we do not know yet whether they can be. Even if they can be realised, are you worried that pursuing a policy that relies on such technology, instead of seeking a more fundamental change to the transport system, will leave us with many other problems besides

climate change, such as increased energy demand, stressful lives, streets that feel less safe to walk and cycle in, the economic cost of congestion, and the hollowing out of local economies and fragmentation of communities as people continue to travel further?

John Swinney: I would not want my remarks to be interpreted as suggesting that we do not need action on all those issues. I am struck by the statistic—it was in my head a moment ago—on the proportion of car journeys of less than 1km. The proportion is substantial and almost unbelievable. We need to change patterns of activity, and many initiatives will be taken to encourage that. When it comes to the use of resources, individuals can often change their behaviour, and many people do so. The points that you made, such as your point about energy consumption, are valid strands of the argument.

I readily concede that not every journey that we currently make by car is justifiable, but if we want to continue with the same model and retain some of the attributes of personal travel that we currently have, that model has to be decarbonised so that we can achieve the reduction in emissions that is required in the transport sector. There is no single initiative in that regard; there must be a multiplicity of initiatives, as you suggested.

The Convener: The issue is perhaps the extent to which we want to retain that model and which elements of it are genuinely beneficial for society.

Alison McInnes (North East Scotland) (LD: Cabinet secretary, you told Des McNulty that the Forth replacement crossing will be funded through traditional capital expenditure. Can you assure the committee that the bridge will provide best value for the taxpayer? The project still appears to us to be expensive in comparison with similar projects in other countries.

John Swinney: I can certainly assure the committee that strict value-for-money tests will be applied to all aspects of the Forth replacement crossing development. A rigorous process has been gone through to challenge the assumptions in the original proposals and to develop the proposals into the managed crossing strategy. The degree of external scrutiny that we have brought in to challenge those assumptions has been comprehensive.

There is not much difference between the cost of the core bridge element of the Forth crossing and that of other, similar structures—ignoring the road access networks and other infrastructure that goes with the crossing. A significant amount of supporting infrastructure is required for road access both north and south of the crossing. For example, enhancements south of the crossing are needed to allow vehicles to move to the west.

Currently, they can do so with a bit of a detour, but the route is not directly part of the network. The enhancements will assist in reducing congestion on the western side of Edinburgh. All of that infrastructure must be added into the equation. However, I assure the committee that the Government takes seriously scrutiny of costs and arguments relating to value for money.

Alison McInnes: We have spoken before about the importance of the priority for public transport on the new crossing. I am disappointed that Transport Scotland is not yet convinced that complementary measures, such as park-and-choose facilities at Halbeath and Rosyth and possible bus priorities on the M90 and A90, need to be part of the project. It seems to me that, at a cost of about 1 per cent of the overall budget, those measures offer significant benefits in modal shift.

We were given a guarantee that there would be priority for public transport on the crossing. Do you agree that the measures that I have described need to be in place before the new bridge is operational? They would help to bed in transport choices and to deal with the difficult road works that you have described, as the new roads are linked in. Do you agree that the marginal increase in costs of about 1 per cent would offer good value for money and that we should encourage Transport Scotland to progress the measures?

John Swinney: I accept that it is very important to provide individuals with choice through park-and-ride or park-and-choose mechanisms. As Alison McInnes knows, we have taken a number of steps to expand provision in that respect around the country. Such schemes are immensely successful wherever they are introduced.

I cannot give a specific assurance about the proposals to which the member refers, but I am happy to consider them. I will ask Transport Scotland to look into the specific details and will reply to the committee with a consideration of the proposals' merits. I assure the committee that the managed crossing strategy has at its heart increasing modal shift to the utilisation of public transport. I am interested in the concepts and points that have been mentioned and whether they would contribute to that process. I will be delighted to look into the matter further.

Alison McInnes: I am grateful to the cabinet secretary for his support and look forward to receiving further information on the issue.

At its meeting of 23 June 2009, the committee was assured by officials that consultation and engagement with people who will be affected by the construction of the Forth replacement crossing would be improved. We heard that there had been some criticism of the process up to that point.

What has Transport Scotland done since then to improve communication with local residents?

John Swinney: There has been some dialogue with local residents. The Minister for Transport, Infrastructure and Climate Change answered a question on the issue from Margaret Smith in Parliament last Thursday and gave details of the dialogue that has taken place. We will engage closely with all affected residents on the route of the crossing and the supporting road infrastructure network. A code of construction practice that sets out many of the details relating to the issue will be published in November.

A draft of that code was issued for consultation on 3 August to a range of relevant statutory consultees, local authorities and community councils, and I understand that it has been sent to members of the Scottish Parliament into the bargain. Obviously, where an individual is affected by the bridge or its route, their statutory rights have to be considered and engaged with fully.

As to wider public engagement, I have attended events organised by Transport Scotland to set out some of the details of the replacement crossing strategy, and there will be more dialogue of that type with affected individuals.

14:15

Des McNulty: You told the committee last year that the Waverley railway would be funded through a non-profit-distributing mechanism and that

"We will establish a vehicle to provide for that investment."—[*Official Report, Transport, Infrastructure and Climate Change Committee*, 9 September 2008; c 827.]

I spoke to some people from the industry last night and they were unclear about what that mechanism is. Will you tell us what it is and how much progress has been made to determine the funding framework for the Waverley railway?

John Swinney: The funding framework has in no way changed from what the committee was told a year ago. A non-profit-distributing model will be utilised. There has been significant market testing of that concept, which has attracted significant interest from relevant parties. Ministers and Transport Scotland can explain clearly that concept, but whether it has been understood by everybody is a moot question. There is no change in our approach. We have to ensure that we can command interest in the tendering process and, based on the market testing that has been undertaken, I am confident that that will be the case.

Des McNulty: It is possible to say the words "non-profit-distributing mechanism" and know what you mean, but I am concerned that some of the key players—the big construction companies and

Network Rail—do not seem to be particularly clear about how the framework will be funded. Will you flesh out the details of how exactly it will work: what are the mechanisms and how will funding arrangements be developed?

John Swinney: The concept is really pretty clear; I cannot see why people are unable to follow it. Essentially, a special purpose vehicle will be put together to manage the construction and development of the Borders railway and the financial interest in meeting the capital cost of the line that will be constructed from Tweedbank to Edinburgh. It will be funded in the private markets. The great advantage of the Borders railway is that it will benefit from a revenue stream that will be able to support the borrowings undertaken in that respect.

Network Rail will be part of the project because the Borders railway has to connect to the rest of the network for which Network Rail has responsibility.

Des McNulty: Will you supply a document that sets out what the special purpose vehicle will be, how it will work, at what stage contractors will be brought in and how the revenue stream will operate? Will you justify the statement that you just made about the revenue stream being used to pay off the borrowings in quantitative terms and perhaps say where you are in getting an agreement with Network Rail that the railway to be built through the special purpose vehicle can be connected to the rail network, which it administers? I presume that all those actions are well in train, but I have asked on numerous occasions for that information and none of it has been forthcoming.

John Swinney: I am certainly happy to share with the committee what information we can on those questions, with the caveat that the need to attract commercial partners to work with us on the project means that any information would be supplied on the basis that it in no way compromised our ability to attract such partners and to share relevant commercial information with them.

I do not see what the great uncertainty is. The concept is pretty clear: a capital project is to be undertaken and a revenue stream will be forthcoming in the form of ticket sales from the usage of the line. The model is pretty straightforward. If there is more information that I can give the committee, I will be happy to do so, but I insert the caveat that I will need to observe the strictures of commercial confidentiality on some of the points that we consider.

Des McNulty: I have one final specific question.

The tender for the railway was expected to have been let two or three months ago, but information

in the press suggested that the tender for construction was not let at that time. Can the cabinet secretary update us on when the tender for construction will be let? When is construction expected to commence?

John Swinney: Some of the advance works to enable the development of the railway are part of the accelerated capital programme that the Government announced. That will ensure that we can get started on some of the site development activity that needs to be undertaken.

We judged that the economic climate was such—particularly given the requirement to obtain resources on the private markets—that then was not the right moment to issue the procurement notice. For obvious reasons, it has been rather difficult to attract money in the capital markets, although it is getting easier. Obviously, as the markets are improving, we should be able to make swift progress to take matters forward.

We forecast that construction would commence in 2011, and we expect construction on the main part of the project to commence then. However, I reiterate that some of the early site preparation development activity is under way as part of the accelerated capital programme.

The Convener: I ask members to keep the remaining questions in the transport section fairly brief and to the point—answers should be brief as well—to ensure that we have time to cover the climate change section.

Shirley-Anne Somerville: The report on the Aberdeen western peripheral route public inquiry was submitted to ministers on, I believe, 30 June 2009. When will a decision be made on the future of the scheme?

John Swinney: I can confirm that the report was submitted to ministers on 30 June. The report is being considered by ministers. All that I can say today is that a decision will be announced as soon as possible.

Shirley-Anne Somerville: That is a nice and short answer.

The Convener: We might spend longer on that issue at a future meeting.

My question is on the cycling action plan for Scotland. The Scottish Government intends to adopt the target of achieving a

“10% modal share for cycling by 2020”.

How much additional funding will that commitment bring with it?

John Swinney: Resources will be set out within the draft budget, so the committee will forgive me if I leave it to speak for itself on Thursday. However, it does not always take Government

money to achieve such targets. A great deal of cycling can be done without Government money, and of course cycling is still a non-taxable activity.

The Convener: I was glad to hear your clear commitment in the media that such taxation, which was consulted on, will not be pursued.

John Swinney: I am glad that I did not get the phone call telling me about that particular press inquiry while I was cycling, because I might have fallen off my bike at the thought of it.

The Convener: None of us would want to see that or even read about it in the newspapers.

We will leave the question of spending until we see the figures on Thursday.

You will be aware that the committee has agreed to conduct an inquiry into active and sustainable travel. It is obvious that the inquiry will have a degree of overlap with issues in the cycling action plan. We hope to publish our report early in 2010. Will you consider how you and your officials can work with the committee to ensure that the two pieces of work are co-ordinated and complementary and do not fire off in different directions at different times?

John Swinney: I will be delighted to do that. I think that our plan is to publish the cycling action plan towards the end of the year, but I would be happy to consider holding off from doing that until you have completed your inquiry, after which we could have a meaningful discussion. Perhaps we can synchronise our timescales. I am happy to consider all options.

The Convener: Thank you. We will ensure that we discuss the issue.

Cathy Peattie (Falkirk East) (Lab): The review of the national concessionary fares scheme was due to be completed in spring. Why has there been a delay? Can you share with us discussions about whether community transport can be included in the programme?

John Swinney: Unless I have got my wires crossed, the review has reported. It recommended extending the scheme from 1 April 2011 to seriously injured service personnel and veterans who are under 60 and resident in Scotland. It also recommended an independent examination of the reimbursement rate for operators. Those issues are being taken forward.

You have asked me about community transport on previous occasions when I have appeared before the committee. I am not able to say today that a decision has been taken to extend the scheme to community transport or to demand-responsive transport services. However, we expect to receive further information on such

matters in the next few months and we will consider the issue in that context.

Cathy Peattie: I would appreciate it if the cabinet secretary kept us up to date on the issue.

The Convener: Members had questions on transport matters such as the A83, the bus action plan and regional transport partnerships, but we must spend time on the climate change part of the committee's remit. I suggest that we write to the cabinet secretary as soon as possible with our questions on the other topics, if that is all right.

John Swinney: It certainly is.

Rob Gibson: The United Kingdom Committee on Climate Change has said that even if aviation emissions are reduced to 2005 levels, a 90 per cent cut in emissions will still be required across all sectors to deliver an 80 per cent overall reduction. How do you respond?

John Swinney: We must be mindful of the input from the UK CCC, which, under the Climate Change (Scotland) Act 2009, is the body that we selected to advise the Government on such questions. We must take its advice seriously.

By including aviation and shipping in the process, the approach that we have taken to the legislation has been beneficial, because it has set a standard and has shown other jurisdictions how we can and should take action in that respect. It has therefore attached the significance that needs to be attached to addressing those factors. We will listen carefully to the Committee on Climate Change, and if there is a requirement for us to change our focus or our ambitions in any way, we will discuss that with Parliament.

14:30

Rob Gibson: Talking of advice, a request for advice on the interim target was not sent to the UK CCC until late August. It has informed the Scottish Parliament information centre that it

"is currently considering the detail of the request and will respond to the Minister in due course on our intended approach to providing the advice requested".

Given that the UK CCC has only just received a formal request for advice on a number of matters in the 2009 act, is the Scottish Government likely to be able to publish advice on the interim target in line with the nominal date of 31 December 2009 that was identified in the act?

John Swinney: The act received royal assent on 4 August. On 31 August, Stewart Stevenson wrote to Lord Turner requesting advice on the various issues at stake. The act requires advice on the interim target to be published by 31 December 2009 or

"as soon as reasonably practicable afterwards".

Whether it can be done by 31 December is a question to which I cannot give a definitive answer today, but I assure the committee that we are looking to obtain that advice and to be in a position to act accordingly as swiftly as we possibly can.

Rob Gibson: The cabinet secretary will be aware that it has been a matter of concern to us that the processing of advice via the UK committee is controversial, in the sense that we are awaiting evidence that it can be speedy and detailed. Should we be pressing the UK committee at the earliest possible opportunity on these matters? It is not a long time from 4 August to 30 August, but it is a long time in terms of delivery by the end of this year.

John Swinney: I accept that the Government could have made the request slightly earlier than it did, but we have now sent the request and we will be in dialogue with the UK committee to try to secure the earliest attention on what is a pretty comprehensive task. We need robust advice at our disposal in all of these matters, which is what we are looking to the UK committee to provide.

The Convener: As I think you said in Parliament, the climate change agenda involves every aspect of Government. There is no function of Government that can say, "This is somebody else's job." Is climate change a standing item on the Cabinet's agenda?

John Swinney: Not on a weekly basis, but issues in connection with the Climate Change (Scotland) Bill were regularly on the Cabinet's agenda in order that we could formulate where the Government would go on them. The climate change delivery plan is seen and discussed by Cabinet. The normal course of action is for papers to go to Cabinet periodically for us to consider the implications and the steps to be taken by relevant parts of the Government.

The Convener: It is only two or three months since the bill was passed, and it is even less time since it received royal assent. How often do you expect the Cabinet to consider delivery of the act, now that we are into the delivery phase?

John Swinney: I expect the Cabinet to consider that on several occasions during the year.

The Convener: You do not expect there to be a more regular focus.

John Swinney: I do not think so, because the issues do not need Cabinet discussion; rather, they need Cabinet action. Essentially, the delivery plan is designed to map out clearly to all aspects of the Government and the wider community steps that we can take to ensure that regular attention is paid to taking action.

There is an architecture of responsibility in the Government for ensuring that we all act. The

Cabinet provides political leadership and takes responsibility in the Government for acting, but the strategic board, which is chaired by the permanent secretary, is heavily engaged in activities. The real operational leadership is provided by the climate change delivery board, which is convened by John Mason, who is a senior director in the Government. That board brings together all the operational thinking and planning to deliver the climate change agenda. If issues arise to do with performance not coming up to scratch, they swiftly gravitate to the Cabinet table. One of the strengths of our Government structure is that cross-cutting themes that concern all of us, such as climate change, can be readily considered across the organisation, and if there are any problems with participation, the Cabinet can address them.

The Convener: When the Climate Change (Scotland) Bill was going through the parliamentary scrutiny process, the Government was keen to see quick progress so that the legislation could be put in place and it could move on to delivery. In the short period since the bill received royal assent, what policy changes have been made, or what decisions have been taken, that take account of the increased interim target of 42 per cent emissions reductions, which is based on changes that were made at the end of stage 3?

John Swinney: The key steps have been taken to advance the climate change delivery plan, which is about ensuring that we put in place mechanisms to deliver on duties. Over the summer, the focus of activity was on ensuring that we had those mechanisms in place. The climate change delivery group will be engaged across the organisation in identifying a range of different interventions. It is clear that we need to consider how we can maximise efforts to reduce emissions in delivering some of the Government's policy priorities: that will be part of the focus of the Cabinet and the Government delivery group.

The Convener: Have decisions been taken about delivery and achievement of targets that are based on the change from the original interim target to the more ambitious target?

John Swinney: We have to go through a process to plan exactly how we will deliver achievements. That was always in the structure of the bill, which requires us to develop plans that will allow us to do that, so that has essentially been our short-term focus. When the plans reach a formal conclusion, the committee will be able to scrutinise the details of the Government's agenda in response to the obligations that we now carry as a result of the legislation.

The Convener: So, is the climate change delivery plan, as published by the Government, no different from what it would have been had the 42 per cent target not been included at stage 3?

John Swinney: In the climate change delivery plan, a scenario is certainly envisaged in which there could be a 42 per cent reduction in emissions by 2020: the question is whether achievement of all the targets lies within the competence of the Scottish Government and the Scottish Parliament. The plan clearly allows for a scenario in which the emissions reductions could add up to 42 per cent. I engaged heavily on that issue during the later parts of consideration of the bill. There is already an agenda for achieving emissions reductions of 42 per cent, so we do not need to invent a new one. We need to ensure that we can secure an environment in which the relevant decisions can be taken, which will be heavily dependent on the conclusions of the Copenhagen summit. Over the past few weeks, we have concentrated on getting into a position in which we can use our influence, as a Government that is responsible to a legislature that has passed some of the most ambitious legislation in the world, to lead by example and to encourage others to follow that lead.

The Convener: I have a brief final question on that. The Government accepted the change and voted for the amendment that brought in the 42 per cent interim target. Can you assure us that the Government is confident that the decisions that are being taken now—no one is suggesting that we should wait to find out what comes out of the Copenhagen summit before we decide to take any action—will put us on a trajectory towards making reductions of 42 per cent?

John Swinney: The Government's position was always that we were keen to get on a trajectory for 42 per cent reductions. We simply pointed out that some things that would help us to get on that trajectory could emerge from productive discussions in Copenhagen. If that were to happen, it would be a big help in enabling us to reach the target. We do not need any other ideas on how to get there—we already have the ideas—but we might need some more responsibilities and influence to help us to get there.

Des McNulty: I want to pursue that argument a wee bit further. The bill identified four areas in which change is needed if we are to make progress on the target: energy generation, energy efficiency, land use and transport. We have discussed transport in that context, and energy generation and energy efficiency have been discussed elsewhere, but there has not been sufficient discussion of land use. I am talking about both agriculture and planning arrangements.

Our planning system is fundamentally developer led. If we are to move towards the 42 per cent target, will we have to recast the way in which we take decisions, and will we have to take different decisions that might not be anticipated in the

delivery plan, but which will have to be part of how the Government responds? Can you point to any examples of how that is being worked through?

John Swinney: Just as every part of Government has a responsibility to play a part in the climate change agenda, so too does every part of the economy. No part of the economy can be immune from making a contribution in that respect.

As regards consideration of development proposals, I do not think that there is anything particularly wrong with the developer-led model, because some pretty strong examples are emerging of proposals that developers are pursuing and which have sustainability at their heart. Some involve the development of new facilities, new approaches or new and much more sustainable ways of utilising land that recognise the need to take action on carbon emissions firmly into account. Those factors all have to be part of the response of the public sector, working in partnership with the private sector to reduce emissions. We cannot have developments that ignore all that—they must take due account of those factors.

14:45

Des McNulty: I will concretise that. You mentioned earlier that one of the three capital priorities is the Southern general hospital in Glasgow. One of the problems that I and people who live around Glasgow see with that hospital is that the health board decided that it should be placed where it is without taking into account how accessible the transport links to the new facility would be. In a rational system, the transport issues would have been taken into account at the outset as part of the general decision making, but I am fairly confident that that was not done. That is not your Administration's responsibility, but we all have to pick up the consequences. Is that the kind of decision making that we need to avoid in the future? What steps can we take to avoid a situation in which people have to drive further, or in which they find that the location of a key bit of public infrastructure will be inaccessible to them by public transport?

John Swinney: That is a substantial and significant point, with which I pretty much agree.

Because Scotland is a small country, it is pretty easy to work out most of the issues that affect most developments in the country. For the same reason, we should be able to link up decision making in one area of Government policy with thinking in other areas. We have a great opportunity to do that, which is why I made the point about the national planning framework and the strategic transport projects review. They are

the product of more joined-up discussions within the Government.

Des McNulty's point was well made, using his example. The more I become involved in the planning system, the more I become a fan of master planning. We have some fabulous examples in which people have stood back, looked at an area of land and done the sensible thing: they have put the infrastructure and transport connections in first and allowed developments to blossom, as opposed to doing things the other way round, which leads to people living in areas that they cannot get to by any means other than car because nobody thought about talking to a bus company. We could cover a huge amount of ground and make a huge number of gains through master planning and by taking a more considered view of all the different elements of what could be achieved on a site.

Just the other week, I talked to a group that came to the Government with a fascinating and refreshing set of development proposals that are built on the premise of a new transport connection—which is actually going into the locality—that would give them the backbone of a development opportunity. This was not a simply a developer coming in with a proposal to make a great development gain; a host of public and private sector organisations had gravitated around the theme. The key part of the proposals is a piece of transport infrastructure that will open up a range of new opportunities. That approach could generate a great deal more.

Des McNulty: Do you agree that one thing we could do on that is maximise the benefit that we get from the existing transport infrastructure? That is something that developers perhaps do not do as much as they should, and that the Government perhaps could do.

John Swinney: In the current climate, developments throughout the country are not happening because of problems with access to capital. The Government is prepared to get parties round the table to work out how we can open up economic development opportunities, and I have made that offer to various players in the market. It would be to our great advantage if some of those discussions were around transport infrastructure, because they might result in helpful interventions in relation to developments—such as intervention by Scottish Water, for example, which has delayed connection charges to later parts of some developments rather than charging up front.

We perhaps need to re-examine some of the current section 75 agreements, which obstruct developments because there is no way that resources can be leveraged out of those developments. The Government is happy to engage with all that material.

Des McNulty: Are you happy that the projects that have been funded to date by the climate challenge fund are delivering what they are supposed to in terms of emissions reductions, and what type of evaluation are you putting in place to deal with that?

John Swinney: I will answer the question the other way round. The evaluation has not yet taken place, so I cannot answer the first part of the question, but there will certainly be an evaluation to determine the effectiveness of spend on such projects. I would imagine that that will be made public in the normal course of events, and we can then consider it.

Cathy Peattie: I apologise, cabinet secretary, for my earlier senior moment.

I will move on to Copenhagen. A Scotland day will be held in Copenhagen. What will be the specific extent of the Scottish Government's contribution? Will the Government be part of the UK's formal delegation? Can you share with the committee any plans for engagement in Copenhagen?

John Swinney: The Government is certainly keen to be an active participant in the UK delegation. We have made—and continue to make—representations to the UK Government in order to try to bring that about. We hope that we will have the opportunity to participate.

We are working to put together a programme of events as part of the Copenhagen conference programme with the climate group's states and regions alliance and we are exploring ways to ensure that the Scottish ministers are part of the official UK delegation. We are working to bring together the Scottish presence in Copenhagen, which will be a combination of Government, business, academics, non-governmental organisations and a pretty significant contingent of interested parties, such as students and others.

We will be trying to utilise the strength of our position in legislative terms to encourage and support a good outcome at Copenhagen, and to promote what has been achieved in Scotland through the process that we undertook as a Parliament. There will be other general events and parliamentary occasions at which we can actively promote what has been agreed by the Scottish Parliament, and some of the steps that we think should be taken across the board to realise the vision to which we have signed up.

Cathy Peattie: Earlier this year, on behalf of the committee I attended the world summit of regions on climate change. Has the First Minister agreed to take up the invitation from the United Nations environment programme to attend or speak at the second governors' global climate summit, which will be hosted by Arnold Schwarzenegger?

John Swinney: That is an open question and is currently being considered. It is unlikely that the First Minister will be able to take up the invitation, but whether Stewart Stevenson or I will be able to do so is being actively considered by ministers.

Cathy Peattie: Is there any concern that Scotland should take part in the summit, or does the Government have other priorities? Does not the Government feel, given Scotland's world-leading legislation, that it should be there?

John Swinney: I would be concerned only about the freedom of information request from Opposition members of Parliament about the cost of the trip—he says, in a flippant fashion. To exonerate committee members, I say that nobody in this room is guilty in that respect.

Our attendance is simply a question of logistics and whether it can be arranged within the requirements of parliamentary timetables and other things. It is being considered by ministers. The summit would be a helpful platform if it was used to the full to promote the stance that we have taken in Scotland. We will take every opportunity that we can to promote a wider understanding of the leadership role that the Scottish Parliament has adopted in that respect.

The Convener: We will leave it to members to guess whether it was Arnie or Alex Salmond who thought better of the invitation.

Shirley-Anne Somerville: What work has the Scottish Government done recently to ensure that accurate statistics on greenhouse gas emissions are available more quickly?

John Swinney: We publish the information that we receive as swiftly as possible. Whether we could collect and publish other meaningful data is something that we keep under active review. I do not know whether Philip Wright has any specific points to add.

Philip Wright (Scottish Government Climate Change and Water Industry Directorate): I have probably mentioned previously that we are working with the consultants who produce the greenhouse gas inventory to see whether we can reduce the length of time that it takes to produce the disaggregated greenhouse gas emissions data for Scotland. It will be problematic if we report on, say, 2010's emissions in 2012, some two years after the event, because we will need data more speedily than that if we are to respond to any shortfall—if I may put it that way—in Scotland's performance. In addition to the data that the inventory will provide, we are considering indicators and other ways in which we can gain information more quickly on our performance in any particular year. That work is continuing with the consultants and in conjunction with the

Department of Energy and Climate Change in London.

Shirley-Anne Somerville: One world-leading aspect of the Climate Change (Scotland) Act 2009 is the inclusion of consumption reporting. Is further information available at this early stage about how work is progressing to ensure that we can report on consumption?

Philip Wright: I suppose that there are two elements to that. The carbon assessment report that the cabinet secretary mentioned has a consumption or carbon footprint dimension, so you will see the output from that process within a few days. The more general requirement in the act is linked to the work that we are doing on the ecological footprint indicator. Again, a separate study is taking place on that, which as a by-product will give us information on consumption.

Cathy Peattie: What engagement has there been with public bodies about their duties and the proposed statutory guidance as a result of the 2009 act?

John Swinney: Now that we have royal assent, we have to go through a process of ensuring that all aspects of Government are fully aware of their responsibilities and are able to contribute. Some of that work will be undertaken through the climate change delivery plan, but the structure of governance that I mentioned in my earlier answer to the convener is an essential part of the work that is being undertaken within Government to ensure that all public bodies are involved in the process.

The committee might be interested in the structure diagram that shows how the matter is being handled within Government and the public sector. The diagram, which I can make available, makes clear the connection between the Cabinet and the strategic board, as the ministerial and professional leadership of the Scottish Government, and how that brings together all the different themes and the work streams that have to be undertaken. For example, the climate change delivery board will supervise direct engagement with the public sector and local government to ensure there is awareness about the contribution that has to be made and the steps that have to be taken to ensure that policy developments are compatible with the climate change agenda. If I send the committee that diagram of governance, it might help to show how we are taking forward all those points.

Cathy Peattie: That would be helpful.

15:00

Charlie Gordon: In "The Strategic Review of Charges 2010-14", which is also known as the

draft determination, the chairman of the Water Industry Commission for Scotland comments on the importance of Scottish Water having full flexibility in the timing of its borrowings from the Government. Is the Scottish Government able to make available the required level of borrowing to Scottish Water so that it can deliver the outcomes required within the regulatory control period?

John Swinney: That is certainly the approach that the Government has taken and wants to continue to take. Scottish Water has taken forward a sustained investment programme during the recent investment periods and that approach continues. The planning for the next investment period under the draft determination gives us every confidence that that will continue.

Charlie Gordon: Do you agree with the WICS chairman that, if the Scottish Government cannot make the borrowing available, it

"could consider using the Scottish Futures Trust as a vehicle for providing finance to Scottish Water or allowing Scottish Water to borrow commercially (along the lines agreed for Network Rail)"?

John Swinney: Some of those possibilities get us into the area of having to consider the status of Scottish Water. For example, if Scottish Water borrowed commercially, that would essentially score against my capital commitments. It would not expand my ability to undertake capital spend because, although the money came from a different source, it would be part of the controlled total within which I have to operate. There are undoubtedly opportunities—welcome opportunities—for Scottish Water to work alongside the Scottish Futures Trust on some of the infrastructure development and procurement issues. However, when we get into those other issues, we get into the area of having to look at the status of Scottish Water to enable that type of flexibility to exist.

Charlie Gordon: In evidence to the committee on 8 September, Scottish Water stated that it follows Scottish Government recruitment procedure in appointing board members, but the committee noted with concern the lack of diversity on the board. Do you share the committee's concern? If so, what can be done about the issue? For example, can the net be cast wider in the hunt for suitable applicants?

John Swinney: The requirements of the public appointments process ensure that the net is cast pretty widely. I cannot confirm it absolutely, but I would be surprised if board appointments to Scottish Water were not publicly advertised in newspapers. I am pretty certain that they are, so the question is not whether people know about the role but whether they are attracted to it. Essentially, the appointments process is driven by the pursuit of suitable applicants in respect of their

expertise and contribution. That means ignoring the question of diversity, in terms of the existing guidelines. However, there is an issue about the interpretation of those guidelines. I know from other occasions when I had similar concerns about the range of candidates who had been appointed to public bodies of some advice that different and distinctive factors could be taken into account, to a degree, to achieve diversity. I am currently exploring, and will discuss with the Commissioner for Public Appointments in Scotland, Karen Carlton, how that can be taken forward. If there is an issue with Scottish Water's board, I will add that to my discussions with the commissioner.

The Convener: Let me follow that up briefly. The discussion arose when the committee took evidence on Scottish Water's annual report. Having seen the remuneration page in it, I find it hard to accept that the attractiveness of the post is under question. Particularly in the current context, there are widely held concerns about high pay not just in the private sector but in the public sector. At that level, the gender pay gap is substantial in both sectors. Is that a concern in general for the Government? We have focused specifically on Scottish Water, but are issues such as the gender pay gap and the lack of representation on bodies such as the board of Scottish Water matters of general concern to the Government?

John Swinney: Before answering that, I just want to clarify whether we are talking about non-executive directors or executive directors.

The Convener: If I remember rightly, Scottish Water's board has one woman. I forget whether she is an executive director or a non-executive director, but she was only recently recruited. Before that, the board was entirely male.

John Swinney: Is the point about the remuneration of professional managers or the appointment of non-executive directors?

The Convener: My point about high pay and remuneration is general. We see a substantial gender pay gap at higher levels across the whole of the public sector as well as in the rest of the economy.

John Swinney: I do not know all the details about the composition of the executive team at Scottish Water, so I cannot give a definitive answer, but one much-discussed issue about the remuneration of Scottish Water's executive directors, who are essentially the company's professional leadership, is that many of them would be in the pool—if I may mix my metaphors—for recruitment to comparable UK water companies, whose remuneration is higher than that within Scottish Water. As I understand it, Scottish Water lost a number of key people some years ago simply because remuneration had not

kept pace with what people could secure in the market. As an organisation, Scottish Water is perhaps slightly different in having that competitive factor with other companies where professional directors could attract a higher salary.

On the gender pay gap, I do not feel that I can give a definitive answer because, if my memory serves me right—I might be wrong about this—I do not think that the issue arises in Scottish Water. On the more general question, I carry responsibility for public sector pay, so I know that we need to be acutely aware of differences in remuneration by gender. The Government wants to do all that it can to try to resolve any situations that develop in that regard.

The Convener: Your argument is comparable to the justification that the banks made for their high salaries and bonuses: they are necessary to retain specific people. Does the Government accept that it has a responsibility to give leadership on issues such as very high pay, on which there have been wide public concerns? Simply saying that the market dictates might not lead to an outcome with which the public would be comfortable, either in the case of Scottish Water or more generally.

John Swinney: I certainly do not want to leave the committee with the impression that I take a let-the-market-dictate approach and have no other concerns about the issue. Of course I am concerned by levels of remuneration at senior levels within the public sector. We must face the reality that, in the case of Scottish Water—the only example on which I have commented—there is evidence that individuals were able to leave what we would consider to be highly paid positions for positions in other organisations. I want to ensure that Scottish Water is a well-led organisation. I think that it is at the moment and that it has good board and professional leadership. We must be alert to the challenges of recruiting people in that context. However, on the wider issue of public sector pay, I have made it clear to parliamentary committees on a number of occasions that, where people are already earning high salaries, performance-related pay provisions should kick in only where there is the most outstanding performance. That is what we should expect.

The Convener: I thank you and your colleagues for your time. I know that we have overrun by a few minutes and hope that that does not cause you any problems.

Meeting closed at 15:11.

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